

EUROPEAN PARLIAMENT

# Working Documents

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30 June 1981

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## Report

drawn up on behalf of the Committee on Development and Cooperation

**on the communication from the Commission of the European Communities to the Council on the UN Conference on the least developed countries (Paris, 1-14 September 1981)**

**Rapporteur: Mr R. COHEN**

By letter of 30 April 1981, the Committee on Development and Cooperation requested authorization to submit a report on the communication from the Commission of the European Communities - to the Council on the UN Conference on the least developed countries which is to be held in Paris from 1 to 14 September 1981.

By letter of 22 May 1981, the President of the European Parliament authorized the Committee on Development and Cooperation to draw up a report on this communication.

On 14 May 1981 the committee appointed Mr Cohen rapporteur.

The Committee on Development and Cooperation considered the draft report and adopted it unanimously at its meeting of 23 June 1981.

Present : Mr Poniatowski, chairman; Mr Kühn, vice-chairman; Mr Cohen, rapporteur; Mr Barbi (deputizing for Mr Lücker), Mrs Cassanmagnago Cerretti (deputizing for Mr Bersani), Mr Enright, Mrs Focke, Mr Geurtsen (deputizing for Mr Sablé), Mr Glinos, Mr Kellett-Bowman, Mr Lezzi, Mr Michel, Mr Narducci, Mr Pearce and Mr Sherlock.

C O N T E N T S  
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	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	11
<u>ANNEX</u> : Table showing the percentage of Community aid to the least developed countries .....	21

The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the Communication from the Commission of the European Communities to the Council on the UN Conference on the least developed countries (Paris, 1-14 September 1981)

The European Parliament

- having regard to the Communication from the Commission to the Council, (COM (81) 319 final),
  - having regard to the report of the Committee on Development and Cooperation (Doc. 1-330/81),
  - having regard to the decision of the Council of Development and Cooperation Ministers of 28 April 1981 to the effect that the Community as an entity would attend the Conference, alongside the Member States,
  - having regard to the results of the meeting of the Council of Development and Cooperation Ministers of 18 November 1980,
  - having regard to its resolution of 18 September 1980 in the Ferrero report, in which various references are made to the least developed countries (paragraphs 13, 46 and 47),
1. Hopes that as many countries as possible, including the state-trading countries and OPEC member states, will be represented at the Conference;
  2. Welcomes the fact that the Community as an entity will take part in the Conference,
  3. Points out that it is vital that the Conference should be a success since it must be seen as one of the elements of the North-South Dialogue;
  4. Trusts that the Community will seize this opportunity to outline a coherent policy in favour of the least developed countries,
  5. Urges that the Commission of the European Communities be entrusted with the coordination of existing and future policies of the Community and of the Member States in favour of the least developed countries,

6. Expects to be kept regularly informed of the progress made in connection with such a policy, which, according to the objectives laid down by the Conference, is intended to cover the next ten years;
7. Intends to revert regularly to the question of the policy pursued in favour of the least developed countries, both when the results of the Conference are known and on the occasion of periodic assessments of the policy in future years;

Agriculture and trade in basic products

8. Recalls its resolution of 18 September 1980 contained in the Ferrero report, which outlined objectives and measures in the area of agricultural production, food aid and international trade in agricultural produce to combat hunger in the world;
9. Points out that these objectives and measures are even more imperative for the least developed countries than for other countries;
10. Regrets that only slight progress has so far been made in the realization of these objectives;
11. Considers that the realization of these objectives must be speeded up within the framework of the Substantial New Programme of Action;
12. Points particularly to the need for Community aid in the formulation, acceptance and implementation of a food strategy for the least developed countries;
13. Emphasises the importance of the rapid building-up of world food stocks to increase food security for the least developed countries and of the conclusion of world agreements for the commodities which are exported mainly by the least developed countries (coffee, jute, cotton, tea, oils and fats, and the non-agricultural products, tin, tungsten, bauxite);
14. Stresses the importance in this connection of the Common Fund and urges the Community and all its Member States to join the Fund;
15. Repeats emphatically its recommendations on the supply of food aid, as set out in the Ferrero and Warner resolutions.

VOLUME OF FINANCIAL AID

16. Considers that the failure of the industrialized countries to allocate 0.7% of their GNP to public financing of development could have serious consequences for the future;
17. Urges the Community and the Member States of the Community to commit themselves to this minimum aid level as soon as possible;
18. Considers that in future a greater part of the total available official Community aid should be allocated to the least developed countries;
19. Believes, without wishing to stipulate a specific percentage at this stage, that in the next five years aid should be at least doubled in real terms;
20. Urges the Community and the Member States of the Community to pursue the above objectives in the international financial organization in which they are represented;
21. Refers in this connection to the 'softening' of a number of the IMF's lending conditions but considers that this does not go far enough;
22. Welcomes the setting-up by the IMF of a special fund to finance food imports by countries having to contend with particular difficulties;
23. Considers, however, that the setting up of 'special funds' is not in itself a solution to all problems but that efforts should rather be made to extend extra facilities from normal IMF resources to countries with particular difficulties;
24. Therefore advocates an increase in the financial resources of the IMF in the first place by increasing the national quotas, and/or by allowing the IMF to raise loans on the international capital market.
25. Points out, however, that the last option will be effective only if it does not reduce the World Bank's ability to raise loans on the international capital market;
26. Warns against the risk for the least developed countries of attaching greater importance to the IMF than to the World Bank, since the indebtedness and balance of payments position of these countries will make it difficult for them to be considered for extra loans unless the lending conditions are drastically revised;

27. Therefore believes that the World Bank must be given more facilities to finance IDA schemes, since aid to the least developed countries should be granted primarily more favourable terms.
28. Strongly advocates that the special drawing rights should be increased and allocated in such a way as to benefit the least developed countries in particular;
29. Is aware that the creation of additional special drawing rights involves the risk of increasing inflation but considers that this risk can be limited, possibly by establishing a link between the annual increase in drawing rights and the fall recorded in inflation;
30. Draws attention to the fact that even if the necessary increase in public expenditure does not take place, additional financial resources can be made available to the poorest countries by making more use of private capital to finance projects in the 'newly industrialized' countries and other already more advanced developing countries;
31. Requests the Commission of the European Communities to formulate proposals on the role that the Community could play here e.g. (issuing of bonds by the developing countries on the European capital market, promotion of direct investments with or without interest subsidies, co-financing with other public and private organizations), and proposals on the recycling of petrodollars and the role of the European financial institutions in that process;

#### FORMS OF FINANCIAL AID

32. Has noted with interest the assessment made by the Commission of aid to a number of Lomé countries in which it is observed that project aid alone has not always proved an unqualified success;
33. Notes in this connection that the less developed the country is and the more it lacks a good infrastructure, the longer it takes for the beneficial effects of the projects to be felt in the economy as a whole;
34. Therefore advocates a re-orientation of Community aid towards more programme aid, particularly for the least developed countries;
35. Points out that even now development aid at both international and Community level (food aid, Stabex, credit lines to development banks) is not granted exclusively in the form of aid for specific projects;
36. Advocates there being a connection between closer project aid and programme aid with a view to increasing the development potential of the recipient countries themselves;

37. Considers that aid in the form of programme aid need not necessarily mean less control over how the money is spent but, on the contrary, intensive cooperation between local authorities and the bodies granting the aid makes possible better monitoring and guidance;
38. Suggests that such cooperation should begin as early as the drawing up of programmes and attaches great importance here to technical aid, particularly with a view to strengthening the managerial and administrative capacity of the various authorities in the recipient countries;
39. Believes that, in this way, even the 'absorption capacity' of the least developed countries will present a less serious obstacle and that, on the contrary, these countries will prove to be capable of absorbing and using substantial financial resources;
40. Draws attention to the importance of micro-projects and the direct involvement of the local population which can be achieved when such projects are implemented; and therefore calls on the Community institutions to make more use of the experience and expertise of non-governmental organizations, particularly in the least developed countries;
41. Emphasises the importance of guaranteeing a continuous supply of aid and therefore requests the Community institutions to examine to what extent elements of the Lomé Convention can be incorporated in an overall policy for the least developed countries;
42. Considers it to be vitally important that the local costs of implementing projects and programmes in the least developed countries should, as a rule, be borne partly by the donors;

#### GENERAL

43. Underlines the need for continuous follow-up of the results of the Conference and expects effective procedures and mechanisms to be created to make this follow-up possible, both for the least developed countries individually and for the overall programme;
44. Expects the Community and the Member States of the Community to adopt a positive attitude, should the Conference decide to extend the list of least developed countries on the basis of objective criteria;
45. Takes the view that not only must the industrialized world, the state-trading countries and the OPEC countries increase their aid to the least developed nations but that the now more advanced developing countries also have a role to play, particularly in the area of technical assistance;



46. Assumes that also the least developed countries themselves will actively cooperate in the implementation of the 'Substantial New programme of Action' by, among other things, establishing their own development action programmes and priorities, with the aid of technical assistance, and also by adhering to these programmes;
47. Does not consider it possible, without prior knowledge of the programmes of individual countries, to indicate specific objectives in the different areas of policy but draws attention to the importance of the following aspects for all the least developed countries:
- health care
  - education
  - means of communication
  - transfer of (suitably adapted) technology
  - exploitation of raw materials including the extraction of minerals.
  - exploitation of (renewable) energy sources.
  - the creation and use of capital
48. Draws attention to the possible need for a regional approach, which might involve cooperation with countries which are not officially recognized as least developed, for the execution of large-scale projects (e.g. water management, irrigation, extraction of minerals and energy projects).
49. Calls on both the Community and its Member States to take into account during their negotiations the fact that the emergency programmes called for by the North-South Commission were designed specifically to assist the poorest countries; stresses in particular the need to achieve tangible results in the following areas;
- agriculture:
    - Community membership of the IFAD (International Fund for Agricultural Development),
    - opening of the Community market to agricultural products exported by the poorest countries, particularly in the context of the Generalized System of Preferences.
  - industry:
    - opening markets to products from the poorest countries and implementation of trade pledges to these countries;
  - financial aid:
    - untied aid to the poorest countries;
50. Instructs its President to forward this resolution and the explanatory statement to the Commission and the Council.

EXPLANATORY STATEMENT

The term 'least developed countries' is not new. The concept of 'developing countries' has been current ever since the decolonization process began, and some twenty years later, in 1971, the term 'least developed countries' was also introduced.

The phrase 'least developed countries' was first used in a resolution adopted by the United Nations General Assembly in November 1971 in order to distinguish them from the other developing countries. Since then, the definition of this term has become more specific, statistics have been compiled to demonstrate the differences between various developing countries and a list has now been published of the least developed countries officially identified by the United Nations.

These countries all have in common a low per capita income (less than \$150 in 1979), a low degree of industrialization and a high degree of illiteracy. Their economy consists largely of agriculture which generally takes the form of subsistence farming; very few modern techniques are used in agriculture, and output is therefore low. In a number of these countries there is little hope of any short-term improvement in that agricultural sector since in many cases the environment is little suited to high-output agriculture by its very nature (deserts, mountainous areas); in all of these countries, too, credit and banking systems are underdeveloped, there is a lack of capital and the infrastructure is poor. These latter features are also one reason why industrial development has barely got off the ground. At the same time, these countries are heavily dependent on essential imports (foodstuffs, petroleum, fertilizer), and their export potential is generally restricted to a few commodities (coffee, cotton, oils and oilseeds) for which prices can fluctuate wildly.

Economic development in these countries will take time. We must focus our efforts on diversifying their economy, on maximising their traditional sources of revenue such as agriculture, and on setting up an infrastructure which will serve as the basis for sustained growth.

As part of the objective of greater economic diversification, the least developed countries, with strong external support, should undertake substantially more ambitious programmes of industrial development, particularly in agro-based and agro-support industry, as one of the keys to achieving more rapid growth.

With 83 percent of the population of the least developed countries dependent on agriculture, this sector has to be the core of new action for the least developed countries. The recent performance of these countries in this sector has generally been characterized by negative growth of per capita food and agricultural output, chronic food insecurity, stagnant or deteriorating nutrition, stationary volume of agricultural exports with declining terms of trade, and rapidly rising imports of food and agricultural commodities, especially of cereals. It is indeed the sector where progress has been by far the most sluggish, and the requirements for its transformation are enormous. The bottlenecks in the form of lack of physical infrastructure, lack of inputs such as fertilizer, weak institutional development (including local research capacity) and shortages of skilled manpower are acute. A major goal of agricultural development must be efforts to attain food self-sufficiency as rapidly as possible.

The situation of the least developed countries during the first and second development decades has failed to improve significantly in comparison with the growth of the population of those countries, and in several of the countries it has even deteriorated. Efforts to implement special measures made some progress during the 1970s, but proved to be entirely inadequate to overcome the economic stagnation facing most of these countries. Such measures failed, partly because they were too general and incorporated neither well-defined objectives nor provision for the preparation of specific programmes, for institutional changes and for the firm commitments of resources needed to translate those measures into concrete benefits.

Past failures have been rooted in the low level of production capacities and the imbalanced production structures of the least developed countries. In considering the possibilities for further action it is particularly worthwhile to observe the trend and level of the purchasing power of the exports of the least developed countries over the past decade, as measured in constant 1977 dollars per capita, compared with data on the import volume, as well as data on total financial flows and concessional assistance flows received by them (along with similar data for all developing countries).

(Data in constant dollars per capita) (a)

	Average 1965-1968	1970	1977	1978
<u>Import volume</u>				
Least developed countries	29.5	32.3	34.0	35.2
All developing countries (b)	63.7	76.0	93.0	97.8
<u>Export purchasing power</u>				
Least developed countries	22.7	23.7	19.1	17.5
All developing countries (b)	51.1	62.6	76.3	76.0

	Average 1965-1968	1970	1977	1978
<u>Total financial flows</u> (c) (net disbursements)				
Least developed countries	9.0	10.9	15.9	..
All developing countries (b)	16.9	20.0	24.8	..
of which:				
<u>Concessional assistance</u> (net disbursements)				
Least developed countries	8.5	9.7	13.7	13.3
All developing countries (b)	10.7	10.2	10.1	9.4

Source: UNCTAD secretariat estimates

(a) at 1977 prices

(b) excluding major petroleum exporters

(c) including private flows

It is clear from the above table that the downward trend and the very low absolute level of per capita export purchasing power is one of the major structural handicaps of the least developed countries and that the gap, as compared with all developing countries, has doubled over the past decade.

The failure of the least developed countries to achieve significant growth in per capita output during the 1960s and 1970s is in part directly related to foreign exchange constraints which sharply limited their ability to import the resources needed to stimulate and support growth. This is reflected in the very low level and the very weak growth in the volume of imports at their disposal. If imports had been able to grow at the rate projected for the Second United Nations Development Decade (about 7 per cent in real terms), development programmes in the least developed countries, cumulatively for the years 1971 through 1978, would have benefitted from an additional \$18 billion in imports (at 1977 prices) and from a rise in imports by 1978 to 30% more than the actual level. The increase in concessional assistance to the least developed countries during the 1970s has been offset by the decline in their export purchasing power during the same period.

It is not only UNCTAD which is attempting to solve the problem of the least developed countries; this subject is also receiving close attention elsewhere.

The problem is also dealt with in the report entitled 'North-South, a strategy for survival', the Brandt report referred to in the report submitted by Mr Ferrero to the European Parliament. When that report was

published, its authors could not know that an UNCTAD Conference on the poorest countries would be held in September 1981 and consequently they were unable to take account of the specific objectives of that Conference.

Nevertheless, the report does give an exhaustive summary of the problems faced by the least developed countries and an overall indication of how they might be solved. It is made explicit that the problems faced by these countries are long-term problems which cannot be solved overnight. Of course, attempts to improve water management and land use, the raising of health standards, reforestation, the development of energy and the extraction of minerals, the construction of a transport and communications system and the provision of jobs for those who own no land of their own are not tasks which can be accomplished within a few years. Nonetheless, the potential for accomplishing a number of these tasks is there, provided that effective management, international cooperation and capital are available. It is essential that guarantees are given of a permanent financial flow to these countries and areas; it will probably have to continue to the end of this century and be in the form of grants or possibly loans on special terms.

The Brandt report also pays great attention to the institutional integration of aid, especially to regional cooperation between a number of the least developed countries. Organizations such as the Economic Committee for Africa and the Economic and Social Committee for Asia and the Pacific could and should play an important role in the implementation of this policy. This is all the more apparent when we take account of the fact that many of the least developed countries are situated in the same geographical area, and that trans-frontier and regional cooperation is a prerequisite for even beginning to tackle a number of these problems.

The observation that in the majority of cases these countries are in the same geographical area also results in the Brandt report coming to the unavoidable conclusion that when the policy is drawn up, it cannot be restricted to the countries officially identified in the UNCTAD list of poorest countries and that account must also be taken in the 'poorest areas' of other developing countries adjacent to those countries. As regards the financing of the programme already referred to concerning water management and land use, health care, reforestation and other tasks, the Brandt report estimates over the next 20 years at least \$4,000 million will be required over and above existing aid programmes. If for the moment we accept the accuracy of that estimate, it becomes immediately apparent that an enormous financial effort will be required to attain the objectives.

In September 1980 the European Parliament adopted Mr Ferrero's resolution following the debate on hunger in the world. Although this debate did not specifically relate to the position of the poorest developing countries, the resolution does indeed mention the least developed countries.

Paragraph 13 of the resolution states expressly:

'... requests the Commission and Council to pay particular attention, in all sectors of development policy including the commercial aspects, to the poorest developing countries and those most affected by the problem of hunger'.

And in that part of the resolution dealing specifically with international trade, reference is again made to the particular problems faced by the least developed countries. Accordingly paragraph 46 of the resolution states:

'...calls on the Commission and Council to take immediate action:

(a) ...

(b) as a priority to open up the Community market to agricultural and processed products originating in the poorest associated and non-associated developing countries'.

And paragraph 47, which notes that the concessions made during the Tokyo Round to the developing countries were inadequate, goes on to say that the generalized system of preferences should be improved 'so as to take particular account of the requirements of the developing countries which have hitherto derived insufficient benefit from the system'; those countries are the least-developed countries.

As a follow up to the parliamentary debate on hunger in the world, the Commission forwarded proposals in a Communication from the Commission to the Council which dealt principally with the agricultural and food aid aspects of the problem although it made no specific reference to the least developed countries as such (COM(80) 631 final of 22 October 1980). In view of the nature and character of the parliamentary debate, this could and should not be expected; but it is striking that the Commission stated that it could not support the requests made in paragraphs 46 and 47 of Mr Ferrero's resolution. Page 12 of the Commission document states expressly 'as regards tariff dismantling, the Commission pointed out during the debate that 50% of the Third World's agricultural products were already entering the Community duty-free, 45% at reduced rates of duty and 5% at the full rates of duty. Overall, the Community is the world's top importer of agricultural products. The most recent initiatives taken in this respect concern the offer made for tropical products in the Tokyo Round without any demand being made for reciprocity, and improved arrangements for access by agricultural products of importance to the ACP States which are among the most dependent on agricultural exports. In these circumstances, the Commission could propose only limited improvements towards greater liberalization in its proposals under the GSP'.

The Council supported the Commission in its views and when it drew up the generalized system of preferences for 1981 it did not even go as far towards liberalization as the Commission had originally proposed. We are obliged to observe that no account whatsoever was taken of the European Parliament's opinion.

At the meeting of the Council of Development Cooperation Ministers of 18 November 1980, a resolution on the problem of hunger in the world was adopted on the basis of the Commission communication (PE 69.820 of 26 November 1980).

It is quite understandable that this resolution, too, only approached the problem of the least developed countries obliquely. The section concerning the granting of Community financial development aid states 'it (the Council) also confirms that the financial and technical aid for non-associated developing countries should go as a matter of priority to agricultural and rural development projects and in particular to improving the food situation. It expresses the wish that this form of aid may contribute still further to the campaign against hunger in the world, particularly in the case of the most deprived countries'.

At the same meeting the Council also reached a consensus on the technical aspects of the general guidelines to be followed by the Commission when drawing up the 1981 financing programme for the non-associated developing countries. The following passage is included: 'priority is given to the poorest non-associated developing countries and to the most deprived groups in those countries'. It should be noted that this declaration is not new since in previous years, too, special emphasis was laid on support for the least developed countries.

These few examples demonstrate that the problem of the least developed countries is recognised by bodies other than UNCTAD. What is, however, true is that UNCTAD has taken the first practical steps to have this matter discussed at world level.

#### UNCTAD and the Conference on the least developed countries

The international Community took an important step at UNCTAD V in adopting in June 1979 Resolution 122 (V) when it decided, as one of its major priorities, to launch a comprehensive and substantially expanded programme with both immediate and longer-term phases, as follows :

'Phase One: An immediate effort to meet the critical situation of the least developed countries in the form of an Immediate Action Programme (1979-1981) of greatly expanded assistance for the least developed countries, aimed at (1) providing an immediate boost to their economies and immediate support for projects for the provision of the most pressing social needs, and, (2) paving the way for much larger longer-term development efforts; and

'Phase Two: A Substantial New Programme of Action for the 1980s  
for the least developed countries with the objective of transforming  
their economies toward self-sustained development and enabling them  
to provide at least internationally accepted minimum standards of  
nutrition, health, transport and communications, housing and education  
as well as job opportunities to all their citizens, and particularly  
to the rural and urban poor.' \*

The original 25 countries identified as least developed by the United Nations General Assembly in November 1971 were Afghanistan, Benin, Bhutan, Botswana, Burundi, Chad, Ethiopia, Guinea, Haiti, the Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Sikkim, Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta, Samoa and the Yemen Arab Republic. In December 1975 four countries (Bangladesh, Central African Republic, Democratic Yemen and the Gambia) were added to the list; and in December 1977 two countries (Cape Verde and the Comoros) were also added. The group of least developed countries thus now comprises a population (1977 estimate) of 257 million, or 12.5% of the population of all developing countries. The category, based on recommendations by the Committee for Development Planning, includes countries considered the weakest according to critical economic and social indicators of a longer-term structural character (in particular, low income, low literacy rate and low share of manufacturing in total output).

Phase 1 of the programme, an 'Immediate Action Programme', has borne little fruit. A decision has been taken that the UNCTAD Conference on the least developed countries will be held in Paris from 1 - 14 September 1981, the purpose of which is to draw up a 'Substantial New Programme of Action for the 1980s' as set out in the 1979 Resolution.

The Conference is thoroughly prepared. In the past few months 'country reviews' relating to all the countries concerned are drawn up by the competent authorities in the individual countries with the help, where necessary, of experts from the UNCTAD secretariat. In March, April, May and June of this year, these reviews of the individual countries are discussed with representatives of present or potential aid granting countries and organizations so that at the Conference in September those requesting aid and those offering it will be properly aware of the needs and requirements, the potential of and bottlenecks in the development process of each of the least developed countries. Not only is this thorough preparation of the Conference unique in itself, the Conference is also interesting for a number of other reasons. For the first time in the history of the UN bodies, the Conference being held is not restricted to a specific theme - agriculture, industry, the role of women or whatever - instead, it concerns a certain group of countries. There can be no doubt that the group of countries involved are faced by specific problems which justify their being dealt with as a group. Most of the countries are small landlocked countries or islands with similar economic structures. In

\* See paragraph 1 of UNCTAD Resolution 122 (V) of 3 June 1979



most cases these countries do not have enormous plantations geared to the export market as a relic of their colonial period, and as a result they do not have even minimally satisfactory transport and communications systems. More than other countries they are afflicted by hunger and malnutrition, illiteracy and disease and the lack of public facilities in general. They are more dependent on foreign aid than other countries and have fewer domestic resources to break out of the vicious circle of poverty and underdevelopment.

Although from an economic point of view it is therefore understandable that a Conference like this should have been convened and even to some extent astonishing that it took so long for this measure to be taken, in political terms we may call it a revolutionary development. The Group of 77, which now numbers 120 developing countries, has until very recently been unwilling to devote special attention to the least developed countries. Fears of destroying the cohesion within the Group and of weakening its own position at the negotiation table vis-à-vis the industrialized countries have always militated against the least developed countries being given special status. Although a number of countries had been officially identified as least developed countries since 1971, they had never met as a group, let alone had a special conference organized for them.

So we may talk of a real breakthrough when referring to the Conference to be held in Paris in September. It appears that even in the 'Group of 77', as a result of increasing oil prices and world recession the view has become accepted that the problem of the least developed countries needs special attention, that the transfer of financial resources to those countries is regarded as urgent and that it is clearly no longer considered necessary to approach every matter as a single entity. Indeed, we can hardly maintain that the 'Group of 77' still has the same unity as it had in the early years after it had been set up. The rise of the newly-industrialized countries and the growing power and influence of the oil-producing developing countries have to some extent destroyed the common characteristics of the Group.

For a long time now the industrialized nations have pointed out the differences existing between developing countries, and some of them state openly that they regard the blanket term 'Third World' as an anachronism. It goes without saying that by challenging this term they hope to divide the developing countries bloc and split it up into various groups of countries with which they can negotiate on individual matters. Insofar as the convocation of a special Conference on the least developed countries is in line with this approach, we must describe this as a regrettable and dismal development. Of course, it is true that we do not need to negotiate with the whole of the Third World when we want to take certain measures in the steel or textile sectors, but on the other hand such global negotiations are necessary when we are dealing with matters such as the reform of the Bretton-Woods System or the conclusion of agreements on raw materials or energy problems. A world concept based on illusions will in the long run not only harm the

developing countries but also ourselves.

The UNCTAD secretariat is doing its utmost to suppress such illusions where they exist. It is expressly stated that although this Conference on the least developed countries deals with a particular group of countries, it is not concerned with a problem affecting those countries alone. The problem is universal, but it is more acute for this particular group of countries. These countries are suffering most from the international crisis, inflation, oil price increases and declining terms of trade for their export products. Initially they do not need a completely new policy, large-scale international reforms or new institutions. The purpose of the Conference must be to prevent their total breakdown, the Conference must be to prevent their total breakdown, the Conference must be action orientated or it will be reached on an action programme for the next decade and that a consensus will be achieved on the estimates of the needs of the least developed countries on the basis of the country reviews.

This agreement will then be principally a political agreement which will form the basis for the measures required over the next few years. If the Conference is to succeed it is essential that a consensus of this nature be reached between as many participants as possible. Apart from the least developed countries themselves, all the western nations will have to attend, together with the countries of Eastern Europe, the OPEC countries international and regional aid organizations. Total cooperation is required if this first attempt to take practical action to help the least developed countries is to be successful.

Unfortunately it is already clear that it will probably not be possible to meet these objectives in all respects. Most of the East European and OPEC countries failed to attend the preparatory discussions on the country reviews and one can only hope that they will be present at the Conference itself.

It is gratifying to note, however, that both the Member States of the European Community and the Community as such participated in the preparatory work. It should be recalled here that the Community is by far the most important trading partner of the least developed countries, accounting for 35 - 40% of their total imports and exports. The Member States and the Community also provide the major share of financial aid to the least developed countries and, in addition, the Community has acquired a large fund of experience with a number of these countries, with which it maintains relations within the context of the Lomé Convention. This is not to say that the Community's attitude towards the least developed countries is above criticism. Although, according to official declarations and the objectives of the programme, Community aid to the 'non-associated areas' is granted mainly to the poorest countries, this is not strictly true in practice.

Nor does the major share of Community food aid go to the poorest countries and there is consequently room for changes and improvements in Community policy. In addition, no response has yet been forthcoming to the European Parliament's request that the Community market should be opened up further to agricultural and processed products from the least developed countries, nor does the generalized system of preferences meet all the expectations of the European Parliament. Nonetheless, it must be recognized that the Community, particularly through the Lomé Convention, has more practical experience of projects in the least developed countries than other bilateral and international donors and that, consequently, the Community must be considered able - and probably better able than any others - to make a major contribution to the success of the Conference.

ANNEX

(A) Percentage of Community aid to the least developed countries

	Aid to least developed (according to UNCTAD nomenclature) and non-associated countries	Aid to least developed countries according to UNCTAD nomenclature <sup>1</sup>	Aid to least developed ACP countries pursuant to Art. 155 <sup>B</sup> 3(a) of Lomé II <sup>2</sup>
1976 <sup>4</sup>	15.2% (1 country)		
1977 <sup>4</sup>	21.7% (2 countries)		
1978 <sup>4</sup>	27% (4 countries)		
1979 <sup>4</sup>	15.5% (4 countries)		
1980 <sup>4</sup>	17.1% (4 countries)		
Regional projects between 1976 and 1980	from 21% to 8%		
Commitment under Fourth EDF		52%	62.8%
Indicative programmes under Lomé II		between 54.5% and 55.5%	between 64.4% and 65.4%
Stabex Lomé II		50.3%	69.1%

<sup>4</sup> Except regional programmes, studies, technical assistance, disaster relief aid, etc.

(B) Percentage of Community food aid to the least developed countries

	Aid to least developed countries according to UNCTAD nomenclature <sup>1</sup>	Aid to least developed ACP countries pursuant to Art. 155 <sup>B</sup> 3(a) of Lomé II <sup>2</sup>	Aid to least developed ACP countries pursuant to Art. 155 <sup>B</sup> 3(b), (c) of Lomé II <sup>3</sup>
<u>1980</u>			
Cereals (720,500 t.)	40.8% (1/3 to Bangladesh)	26.5%	30%
Skimmed milk powder (150,000 t.)	23.2%	24.2%	26.2%
Butteroil (45,000 t.)	22.4%	18.4%	19.9%

<sup>1</sup> The UNCTAD nomenclature covers 32 countries (including 21 ACP countries)

<sup>2</sup> 35 ACP countries

<sup>3</sup> 44 ACP countries