

European Communities

EUROPEAN PARLIAMENT

Working Documents

1981 - 1982

8 December 1981

DOCUMENT 1-823/81

REPORT

drawn up on behalf of the Committee on Development
and Cooperation

on the results of the United Nations Conference
on the least developed countries (Paris,
1-14 September 1981)

Rapporteur : Mr R. COHEN

PE 75.804/fin.

Pursuant to Paragraph 7 of the resolution adopted by the European Parliament on 10 July 1981¹ and taking note of the motions for resolutions tabled by Mrs Lizin and Mr Van Miert (Doc. 1-476/81) and Mr G. Fuchs (Doc. 1-609/81) pursuant to Rule 47 of the Rules of Procedure which had been referred to the committee, the Committee on Development and Cooperation decided to draw up a report on the results of the United Nations Conference on the least developed countries.

The committee confirmed the appointment of Mr Cohen as rapporteur.

The committee considered the draft report at its meeting of 22 November 1981 and adopted the motion for a resolution unanimously on 30 November 1981.

Present

Mr Poniatowski, chairman; Mr Bersani, vice-chairman; Mr Cohen, rapporteur; Mrs Cassanmagnago Cerretti (deputizing for Mr Lecanuet), Mr Enright, Mr Ferrero, Mrs Focke, Mr C. Jackson, Mr Kazazis (deputizing for Mr Papageorgiou), Mr Michel and Mrs Poirier (deputizing for Mr Vergès).

¹ OJ No. C 234, 14.9.1981, p. 101

C O N T E N T S

	<u>Page</u>
A. MOTION FOR A RESOLUTION	5
B. EXPLANATORY STATEMENT	7
A. General situation and national measures	8
B. International support measures	12
C. Arrangements for implementation, follow up and monitoring ..	14
EVALUATION OF THE RESULTS OF THE CONFERENCE	14
ANNEXES : Motion for a resolution (Doc. 1-476/81)	23
Motion for a resolution (Doc. 1-609/81)	27

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 results of the UN Conference on the least developed countries (Paris, 1-14 September 1981)

The European Parliament,

- having regard to the motion for a resolution tabled by Mrs Lizin and Mr Van Miert (Doc. 1-476/81),
 - having regard to the motion for a resolution tabled by Mr G. Fuchs (Doc. 1-609/81),
 - having regard to the results of the UN Conference on the least developed countries (Paris, 1-14 September 1981),
 - having regard to the Communications from the Commission to the Council on a plan of action to combat world hunger (Doc. COM(81) 560 final) and on exceptional food aid for the least developed countries (Doc. COM(81) 546 final),
 - having regard to its resolution on the UN Conference on the least developed countries (OJ No. C 234),
 - having regard to the report of the Committee on Development and Cooperation (Doc. 1-823/81),
1. Notes with satisfaction that the Community participated in the Conference in its own right;
 2. Values the way in which the Community's representatives contributed to the achievement of a consensus at the Conference;
 3. Considers that the Conference results represent an initial and positive step towards the realization of a policy in favour of the least developed countries, but that the real success can only be measured in terms of the actual progress which must be made over the next decade;
 4. Reiterates its hopes that the European Community will take the opportunity offered by this Conference to formulate a coherent policy in favour of the least developed countries; this applies both to exceptional additional measures in favour of the least developed countries under the Lomé Convention and to an improvement and increase in financial and technical aid to the non-associated developing countries;
 5. Considers that such a policy must cover both trade and finance;
 6. Intends, therefore, to assess any Commission trade policy proposals which have consequences for the least developed countries (generalized tariff preferences, multifibre arrangement, raw materials agreements etc) mainly in this light;

7. Again urges that the Commission of the European Communities should be instructed to coordinate the Community's and the Member States' existing and future policies in favour of the least developed countries;
8. Expects to be kept informed of progress in such policies and intends itself to revert regularly to the question of a policy in favour of the least developed countries;
9. Reiterates its hopes and comments with regard to the sections on 'agriculture and trade in basic products', 'volume of financial aid' and 'forms of financial aid', as already expressed in paragraphs 8 to 42 of its resolution on the Paris Conference (OJ No. C 234, 14.9.1981);
10. Again underlines the importance of a continuous follow-up of the Conference results;
11. Calls on the Commission to draw up, in the near future, a study on the possibility of extending the Stabex system under Lomé to all least developed countries; this study should also cover other forms of existing financing methods and the problem of stabilizing raw materials' prices;
12. Is dissatisfied with the role which the European Parliament's delegation was able to play at the Paris Conference and requests its competent bodies to give careful consideration to how Parliament's delegations could function more effectively at future international conferences;
13. Instructs its President to forward this resolution and the relevant report to the Commission, the Council and the governments of the Member States.

B

EXPLANATORY STATEMENT

THE UN CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

In its resolution adopted, almost unanimously, on the UN Conference on the least developed countries in Paris the European Parliament decided:

'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'.

The results are now known, so it would seem appropriate to submit an initial new report to Parliament. Furthermore, two motions for resolutions have been tabled, one by Mrs Lizin and Mr Van Miert on North-South relations following the Paris Conference and one by Mr Fuchs on the action to be taken by the Community following the Paris Conference on the least developed countries. Both motions for resolutions will be covered in this report.

The aim of the Conference can be summarized briefly as follows: concerned at the increasing economic and social decline in the least developed countries - a total of 31 according to current definitions - the international community decided to organize a special conference at which 'A Substantial New Programme of Action for the 1980s' would be drawn up. This new and necessarily general programme of action would then be implemented in accordance with the specific requirements of each least developed country over the next decade on the basis of individual 'country reviews'. From the outset the least developed countries themselves would have a measure of responsibility to bear.

It would be their task to make their 'country review' available, possibly with foreign technical assistance, and it would be their task to ensure that these 'country reviews' covered a coherent system of economic and social measures as a basis for practical action.

At the Conference itself the aim was to obtain unanimity on the Substantial New Programme of Action; in the next decade that programme would have to be translated into action in each least developed country.

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THE RESULTS OF THE CONFERENCE

After protracted and often difficult negotiations - the conference had to be extended by some days - a consensus was reached on the text of a new programme of action.

This programme consists of three chapters:

- general situation and national measures
- international support measures
- arrangements for implementation, follow-up monitoring.

The final text is impressive. Without giving full details, the following were the main results of the conference:

A. GENERAL SITUATION AND NATIONAL MEASURES

The least developed countries bear prime responsibility for their overall development and their internal policies will be of vital importance. However, the international community, including certain developing countries, will have to provide them with substantial aid in order to overcome their poverty.

The substantial new programme of action has four objectives:

- to promote the necessary structural changes;
- to guarantee the poor population the minimum standards required for subsistence;
- to identify and support major investment opportunities and priorities;
- to mitigate the effects of natural disasters.

The achievement of these objectives will require, in the 1980s:

- a substantial increase, by comparison with the levels recorded at the end of the 1970s, in the national incomes of each of the least-developed countries (the levels should perhaps even be doubled between now and 1990);
- an average annual GDP growth rate of 9.2%;
- a similar increase in incomes;
- an annual growth rate of 4 and 9% in the agricultural and industrial sectors respectively;
- a larger share of world trade;
- a continuation of the policy of setting social targets.

FOOD AND AGRICULTURE

Agriculture and fisheries number among the main economic and social priorities.

Greatest priority must be given to the agricultural sector. One of the prime objectives should be to increase food production.

A national strategy for the foodstuffs sector should be adopted within the framework of the national programmes. Strategies, plans and policies for the agricultural sector must be formulated in order to:

- provide a framework for the identification and preparation of investment projects;
- aim at achieving greater food self-sufficiency as soon as possible and thereby at eliminating hunger and malnutrition as rapidly as possible and at the latest by 1990.

Food security

Major initiatives will have to be taken with a view to reducing dependence on food imports.

Attempts should be made to increase local, national, subregional and regional food stocks and to improve their distribution.

Food production

Improved new food production calls for the firm political determination to:

- allocate to agriculture the necessary budgetary resources;
- implement a price policy which provides incentives;
- set up effective machinery for devising and implementing the necessary programmes.

Rural development

Genuine social and economic development necessarily presupposes an improved standard of living for rural populations.

Measures should be taken to encourage active popular participation in the definition, evaluation and implementation of agrarian reforms.

The programmes and projects will cover:

- the strengthening of rural institutions;
- education;
- the implementation of local projects;
- the promotion of rural industries and service centres.

Economic activities should be diversified and backed up by new social facilities.

HUMAN RESOURCES AND SOCIAL DEVELOPMENT

Human resources

The populations concerned must participate at all stages. Steps must be taken to:

- set up or improve the necessary teaching institutions and programmes;
- increase the opportunities for productive employment;
- ensure the participation of women.

Education and culture

Objective: to make primary education free and compulsory between now and 1990 at the latest.

Steps must be taken to ensure the balanced development of the various types and levels of education, both inside and outside the framework of the school.

The requirements of women should be taken into account.

Training and administration

Very high priority should be given to the improvement of public services. National or regional training institutions should be created or strengthened with the assistance, in particular, of developing countries with similar problems. These institutions should cover specialized subjects which meet the requirements of management, agricultural development and industrial development.

Health and nutrition

Policies, strategies, and action plans should be devised in the health field. This should be based on the concept of primary health care and should relate to

- medical education;
- proper nutrition;
- maternal and child care;
- services for the prevention and treatment of local endemics;
- the treatment of common diseases and injuries;
- steps to cover essential medical supply requirements.

Population policy

Population policy should be regarded as an integral part of overall development policy.

The emphasis should be placed on new avenues of biomedical and sociological research with a view to identifying new family planning techniques.

Human settlement

The following essential requirements should be taken into account:

- better utilization of land and the environment;

- maintenance of an interregional balance;
- the improvement of living conditions in the least-favoured regions and communities;
- the provision, at low cost, of basic shelter and infrastructure.

NATURAL RESOURCES AND ENERGY

Substantial, financial and technical assistance should be provided in order to ensure that geological maps are prepared and completed between now and 1990 and in order to back up extraction programmes.

Particular attention will be paid to the implementation of the specific measures recommended in the Nairobi Programme of Action on New and Renewable Sources of Energy.

Financial and technical assistance should be provided for research and prospecting operations.

MANUFACTURING INDUSTRY

Objective: an annual growth rate of 9% or more. A special effort will be required of the international community if this objective is to be achieved.

With an eye to increased diversification and growth rates, development programmes should:

- promote agro-based and agro-support industries;
- build up medium and light industry;
- encourage small-scale and cottage industries;
- encourage the creation of basic industries using indigenous resources.

FOREIGN TRADE

Objectives:

- diversification of commodity structure trade direction;
- obtaining remunerative prices;
- expansion of trade between developing countries.

The measures to be taken should include:

- production and marketing planning in the light of developments on national, regional, interregional and world markets;
- monitoring and evaluation of trade prospects, particularly in the developing countries;
- analysis of the position of the least-developed countries in multi-lateral trade negotiations.

B. INTERNATIONAL SUPPORT MEASURES

TRANSFER OF FINANCIAL RESOURCES

a. Financial assistance requirements and policies

The mobilization of domestic resources is essential but will still not be sufficient.

The programmes of the least-developed countries require additional aid for 1980-85 averaging \$5,700 million a year, with aid totalling \$ 24,000 million in 1990, at 1980 prices.

ODA must be increased substantially in real terms during this decade and a large proportion must be disbursed as a matter of urgency.

All donors have agreed to make a special effort:

- . reaffirmation of their commitment to devote 0.7% of GNP to ODA,
- . in the coming years the majority will devote 0.15% of GNP to the least developed countries,
- . the others will double ODA to the least-developed countries over the same period,
- . between now and 1985 total ODA to the least-developed countries will be double the amount made available in the last 5 years.

Assistance will be granted in relation to their balance of payments situation.

Allocations to least developed countries in multilateral programmes

International institutions should direct a substantial and increasing volume of aid to the least-developed countries, their resources should be increased or replenished and states should route a substantial part of their aid through this channel.

New mechanisms for increased financial transfers to the least-developed countries

The international institutions should continue their consideration of the mechanisms including in particular:

- . international tax schemes
- . IMF gold sales
- . the linking of the creation of special drawing rights to development assistance
- . the use of interest-subsidy techniques.

Aid modalities

Measures to be decided upon as soon as possible:

- . the provision, as a general rule, of ODA to least-developed countries as grants on an untied basis,
- . taking into account the effect of inflation on the costs of projects,
- . support for local costs and recurrent costs,
- . advance payment measures.

b. Immediate action components of the SNPA

Items for immediate attention:

- . aid to relieve acute shortages of essential basic products
- . financial assistance in the form of debt relief
rescheduling of debts, balance of payments support, assistance.

c. Other international economic policy measures

Improved access to markets

Desired measures:

- . broad contractual frameworks (eg Lomé Convention),
- . improvements in the GSP with a view to duty-free treatment for products,
- . establishment of GSP between developing countries,
- . reduction of tariff and non-tariff protection.

International cooperation in the field of commodities

- . Commodity agreements and implementation of the Common Fund; the least-developed countries should be exempt from the obligation to pre-finance buffer-stocks
- . Compensation for export earnings shortfalls; a comprehensive progress report should be submitted to the Sixth Session of UNCTAD.

Food and agriculture

Aid should be granted for the formulation and implementation of national food strategies.

Increased technical and financial assistance should be provided, in particular by IFAD.

Measures to be taken to ensure food security:

- . financial and technical support for building up national and regional stocks,
- . negotiations for the conclusion of a new international wheat agreement,
- . establishment of the 500,000 tonne international emergency food reserve.

Food aid will probably still be necessary, in particular in the form of emergency aid, but must continue to be of a temporary nature.

Objective: 10 million tonnes of cereals annually.

Aid should be provided in the form of grants or on highly concessional terms, transport costs being paid by the donors.

C. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW UP AND MONITORING

National level

Creation of a central body ensuring contact with the development partners and a working party of ministry representatives to assist it.

Strengthening or establishment of consultation arrangements with the development partners.

The consultation meetings, to which an UNCTAD representative should be invited, should be held at appropriate intervals, at the initiative of the least-developed country concerned, to review implementation of the programme. They should be held as soon as possible and at the latest before 1983.

The competent organizations are asked to provide any assistance requested for the organization of these meetings.

Regional and global levels

UNCTAD should play the central role in the follow up of the implementation of the programme.

The General Assembly should decide that the intergovernmental group should carry out a mid-term review and should envisage for the end of the decade a review taking the form of a United Nations Conference on the Least Developed Countries.

UNCTAD and the other competent organizations should draw up periodic reports on the activities falling within their competence, to be considered during these reviews.

Close collaboration must be established between the organizations to ensure the implementation and the follow up of the Programme.

An adequate special allocation should be made through the UNDP or through other channels to the least-developed countries to allow studies and planning relating to projects for the first half of the 1980s to be completed.

EVALUATION OF THE RESULTS OF THE CONFERENCE

From the above summary of the Conference results, as expressed in the unanimously adopted final document, it is clear that some measure of success was achieved. The most significant yardstick for that success is the fact that

a document was actually adopted, as there will doubtless be many disputes in the years ahead over the interpretation of the undertakings made by both sides. It is clear that there was a desire to avoid confrontation at the Conference. In other words: it had to succeed. There was no wish for conflict over such a sensitive matter as the fate of the poorest in the world and that created goodwill both amongst the industrialized countries and the Group of 77. The United States adopted a moderate stance and ultimately reached agreement, the Eastern bloc countries played only an insignificant role at the conference and, although the Group of 77 suffered more internal conflicts than other groups, it accepted the results. These internal conflicts were not, and are not, too difficult to understand. It is possible that increased aid to the least-developed countries - one of the objectives of the conference - will be provided partly at the expense of aid to the other developing countries. To some extent the fact that the conference itself was held at all constituted a concession by the latter group of developing countries which must be aware in the current economic recession, that increased aid for the poorest countries would not necessarily benefit them. Furthermore, despite admiration for the United Nations experts who drew up the list, the selection of the least-developed countries remains a very difficult matter, which makes the reservations more understandable. As one of the representatives of a country which is not classified as a least-developed country expressed it: 'Our position here is that of someone with broken arms who accompanies his blind brother to a street corner to beg. Both know that whether they return home with bread or without it at the end of the day depends on how people judge the suffering of the blind man.' In theory the blind and the men with broken arms present a united front, but some of those who are slightly better placed find it somewhat unjust that, for example, blindness is viewed as a greater disability than broken arms. It is of course also true that poor people do not only live in the poorest countries; in fact, the majority live elsewhere. Be that as it may, the problems of the poorest people were only a side issue at this conference; it was concerned with the poorest countries where people will continue longer in poverty and underdevelopment unless special attention is devoted to them.' The conference was based on this understanding and it ensured that even the Group of 77 was able to preserve its unity. The programme of action agreed at the conference and described in the final document is very impressive. The first chapter summarizes the difficulties and problems which the least-developed countries face and deals in detail with the measures which must be taken by the countries themselves to overcome the difficulties and solve the problems. This emphasis on measures to be taken at national level by the governments of the developing countries themselves is exceptional in a UN document. Insofar as this chapter indicates a balanced understanding of the need for the developing countries themselves to make changes in the national social and economic structure and not just to wait for foreign assistance, this approach can only be welcomed and one can only hope that a similar approach will be adopted at other international conferences where the subject matter makes this appropriate. In the second and third chapter of the programme of action

the international aid measures and follow-up to the conference are discussed and, as the preceding summary shows, they include almost all the subjects and measures which appear in the European Parliament's resolution. It was perhaps inevitable that discussion at the conference centred on the amount of international financial aid. The concept of allocating 0.15% of gross national product for government aid acquired a sort of symbolic significance: acceptance of this percentage was proof of good intentions towards the least-developed countries whilst rejection of it or reservations as to the justice of linking the amount to a fixed percentage was likely to be interpreted as ill-will. Despite the rather emotionally charged atmosphere, the 0.15% target was not simply accepted as it stood. Ultimately a compromise was reached which related both to the 0.15% target and to doubling aid to the least-developed countries, but this was not expressed as a fixed percentage. Most Member States of the European Community accepted the 0.15% target, to be achieved by 1985. The United Kingdom and the Federal Republic of Germany accepted the target, but did not wish to be tied down to a deadline. Italy and Ireland announced that they would not be able to achieve the objective until about 1990. It should also be noted that some Member States' criticism of a fixed percentage was attributable not only to their disinclination or inability to achieve this objective, but also to the conviction that it was not sensible to introduce subsidiary targets in addition to the existing 0.7% target. Indeed there would then be a danger that attention would be diverted from the 0.7% target and that some donor countries would think they could congratulate themselves when the 0.15% aim was achieved. Be that as it may, the subsidiary target of 0.15% has now entered international aid jargon and it has been agreed that financial aid to the least-developed countries must be increased substantially.

The final chapter of the programme of action, dealing with the follow-up, contains no spectacular surprises but is in fact better than many had considered possible at the start of the conference. The least-developed countries must ensure - insofar as they have not already done so - that they gather round them a group of donor countries and institutions to assist them in implementing the development process. These donor groups, together with representatives of their developing country, will meet at intervals and ensure that the necessary funds are raised and a development plan is implemented. International institutions such as the IMF and the World Bank will play an important part in this process but it is also clear that the European Community has an important role to play here and there are opportunities for greater coordination of Community aid and aid from individual Member States in the Community. In addition to specific action geared towards individual least-developed countries, UNCTAD must also assume responsibility for the global review of existing and new problems and of the relevant measures to be taken at national, regional and international level. A further international conference on the least-developed countries will probably be held in 1985 under the auspices of UNCTAD.

The conference was clearly a success. Agreement was reached on increasing financial aid, on methods of financing (gifts and not loans, financing local costs, project and programme assistance), on the need for a compensation system for unsatisfactory export revenues, on the need to stress agricultural development, on the need to conclude raw materials agreements etc.etc.

Some donor countries showed more goodwill than others - the USA, Japan and Eastern bloc countries in particular expressed numerous reservations whilst still accepting the final text - but nobody wished to shoulder responsibility for the conference's failure.

When making this relatively positive assessment it must also be remembered that many of the undertakings given are so vaguely formulated that donor countries could back out of them without much difficulty. It is one thing to express the desire that raw materials agreements should be concluded, but actually to conclude such an agreement is another; it is easy to stress the adverse effects of the developing countries' burden of debts but it is more difficult to ensure that this burden is reduced.

Various trends in recent years and months indicate that the European Community and the Member States have promised more than they have the desire or capability to realize. In spite of repeated pressure from the European Parliament, the Community has still not acceded to the International Sugar Agreement; nor has a new International Grains Arrangement been concluded. The negotiations on other international raw materials agreements have faltered and there is a danger that the Common Fund will prove to be no more than an empty shell. This Fund, which was set up primarily to finance buffer stocks, will be doomed to failure if adequate raw materials agreements are not concluded, and it will not even be able to start its task of achieving structural changes in the raw materials markets. This in itself represents a setback for the developing countries, but the effects will be even more serious when it becomes clear that the absence of stabilizing influences on raw materials prices also has an adverse effect on mechanisms such as STABEX.

Another disturbing trend is the decision of the industrialized world, through the OECD, to increase interest rates on export credits. Under pressure from the US, the Member States of the Community also followed suit and interest rates on export credits have increased, relatively speaking, more for the poorest countries than for other countries. Such a policy naturally cannot be reconciled with the desire to reduce the burden of debt. Moreover, the Commission proposal for the system of generalized tariff preferences for 1982 does very little to meet Parliament's wish that the least-developed countries should be granted improved access to our market; the mandate for negotiations on the extension of the Multifibre Arrangement seems to have made a mockery of the assertion that consideration must be given to the interests of the least-developed countries.

In view of this it is justified to doubt whether everything agreed at the Paris Conference will be implemented fairly. Such a result will probably only be achieved if constant pressure is brought to bear on the authorities and institutions concerned to make them keep their word. The European Parliament has an important part to play here in relation to the undertakings made by the Community and Member States. As is already the case in connection with the Ferrero resolution on hunger in the world, Parliament must unceasingly press for compliance with undertakings given, draw attention to shortcomings and in general take initiatives and display an imaginative approach to help achieve the objectives embodied in its resolution.

A small delegation from the European Parliament attended the Paris Conference. Although it was undoubtedly useful to gain firsthand impressions, to make contacts with representatives of OECD and developing countries and to obtain regular information on the progress of negotiations from Commission and Council representatives, it is still questionable whether the method chosen would bear repetition. As long as the European Parliament has no official status at such international conferences, it is difficult for its delegation to have more than observer status as do, for example, the delegations from non-governmental aid organizations or the delegation from the International Federation of University Women. The problem touched on here is far beyond the scope of the Committee on Development and Cooperation and concerns the role and function of Parliament in the Community's institutional system. It should perhaps be recommended that, in cooperation with the other Community institutions, those parliamentary committees directly concerned should consider this problem and seek a solution for the future.

Lastly, the two motions for resolutions tabled following the Paris Conference, the resolution by Mrs Lizin and Mr van Miert (Doc. 1-476/81) and the resolution by Mr Fuchs (Doc. 1-609/81) must be considered. The first motion for a resolution is of a general nature and urges the Council, Commission and Member States to take or support the initiatives needed to check the deterioration in world cooperation and North-South relations. The recommendations made in the motion for a resolution are not particularly specific, but are broadly speaking similar to the more detailed proposals contained in the resolution already adopted by the European parliament on the Paris Conference (OJ No. C 132, pages 101-106). In the last paragraph of the Lizin/van Miert motion for a resolution the authors call on the Commission to produce an annual report on the state of the world economy, North-South relations and the results of the European initiatives. This request seems somewhat superfluous as reports on the world economy are already produced by the World Bank and the OECD and in the resolution already adopted by the European Parliament requests are made for specific reports on subjects of particular interest to the least-developed countries.

Mr Fuchs' motion for a resolution deals with the problem of stabilizing export earnings. He draws attention to the fact that it was agreed at the Paris Conference that developed countries which trade in raw materials with the least-developed countries should study ways of assisting these countries so as to offset the damage caused to them by losses in foreign currency revenue arising from fluctuations in their exports of raw materials.

In this connection he requests the Commission and the Council to undertake as soon as possible the preliminary studies needed to introduce 'a Stabex mechanism for the least-developed countries' and to extend operation of the Stabex mechanism already in force for ACP countries to countries in this group which are not covered by it.

This proposal deserves firm support. One method of providing more effective assistance for the least-developed countries is to make reliability and continuity an essential part of aid efforts. For Lomé as a whole guarantees are given for aid over a certain period and any type of guarantee that can be built into an aid system covering a wider geographic region than the Lomé area is a step in the right direction.

However, the proposal comes at a slightly unfortunate time. It has recently become apparent that the Lomé Stabex system is under pressure, in 1980 only 50% of the requests for transfers could be met because of lack of financial resources.

It would therefore perhaps be advisable to extend the studies and to consider the extent to which the existing system of compensatory financing under the IMF can be improved and adapted to the requirements of the least-developed countries.

This type of financing which is intended to compensate developing countries for losses in export earnings, is linked like other forms of IMF financing to the various countries' quotas. This type of financing could be improved by adopting the principle that the right to use it no longer depends wholly on the size of the quota but also on the extent to which compensation is required. In addition, when estimating requirements, consideration must be given to price trends both in exported products and in products imported by the country concerned, insofar as these are vital to the realization of its development plan. The repayment conditions could also be made more flexible and, in particular for the poorest countries, financing should be in the form of gifts.

As far as repayment conditions are concerned adoption of such principles could bring the system closer to the Stabex system existing under the Lomé Convention. The principle applied under the Convention is that the poorest countries are not required to repay revenue from Stabex. The main difference between IMF compensatory financing and the Stabex system is that Stabex is linked to fluctuations in earnings for certain export products whilst the

IMF takes into account the overall balance of payments position of the country eligible for financing. In principle financial transfers are possible under Stabex even when the overall balance of payments position has not deteriorated whilst under the IMF system this is impossible. It seems high time that the IMF and Stabex systems should be compared more closely and that the experiences under both systems should be taken into account. This applies even more so now that Lomé II includes a joint declaration on EEC-ACP consultation should a system to stabilize export earnings be introduced at world level.

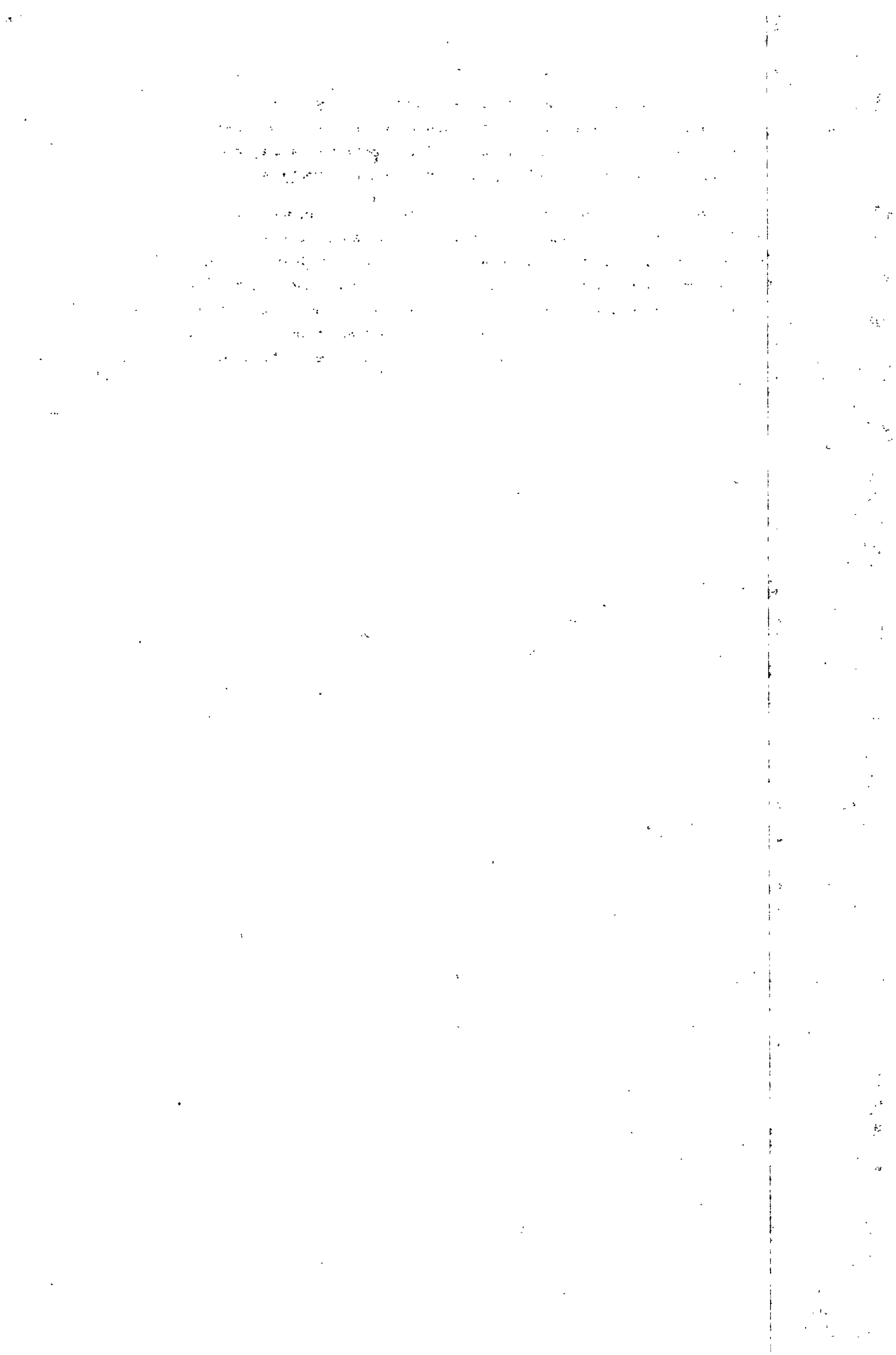
At all events efforts must be made to increase financial resources. If price trends for essential imports are included in the system it will certainly not be possible to avoid such an increase in financial resources. Whilst recognizing that such a link would increase the danger of inflation it could perhaps still be introduced, for example for a limited period which at the same time would be used for the conclusion of world raw materials' agreements to regulate world market prices for raw materials. The palliative system of compensatory financing to solve the problem of deteriorating terms of trade would then indirectly stimulate the establishment of stable and remunerative raw materials' prices.

There would be little point in making a theoretical assessment of the additional costs of introducing these new alternatives; much depends on the methods used and the number of countries willing and able to make use of them. In any case, the 30 countries officially recognized by the United Nations as 'least developed' must be eligible and the countries recognized as such at a later stage should be added to the list. But perhaps there are still a number of countries which should be added. Special consideration should be given to those countries with particular balance of payments difficulties and the consequences for those countries' economic and social development. Special consideration should be given to:

- the extent to which some countries are dependent for foreign exchange earnings on the export of one or only a limited number of raw materials and the fluctuations in the prices of these products on the world market;
- the extent to which the countries are dependent on energy and foodstuffs imports and the proportion of export earnings taken up by these imports;
- the extent to which the countries are dependent in general terms on imports and exports, as greater 'openness' in a country's economy can also produce a more negative effect on that country's economy as a whole if there are balance-of-payments problems.

On the basis of such studies the developing countries' vulnerability to external factors could be assessed and where this vulnerability proves to be great, aid for balance of payments could be given in the form of financing for essential imports.

Such studies of course go far beyond those requested in the Fuchs' motion for a resolution. However, it seems advisable to start such investigations, in particular as the flaws in the Lomé Stabex system are beginning to become apparent and the Lomé partners themselves are beginning to be uneasy about the durability of the system in its present form. The preparations for the Lomé III negotiations are slowly getting under way and the current Stabex system will have to be reappraised in the light of the most recent developments.



ANNEX I

MOTION FOR A RESOLUTION (Doc. 1-476/81)
tabled by Mrs LIZIN and Mr VAN MIERT
pursuant to Rule 47 of the Rules of Procedure

on North-South relations following the Paris Conference

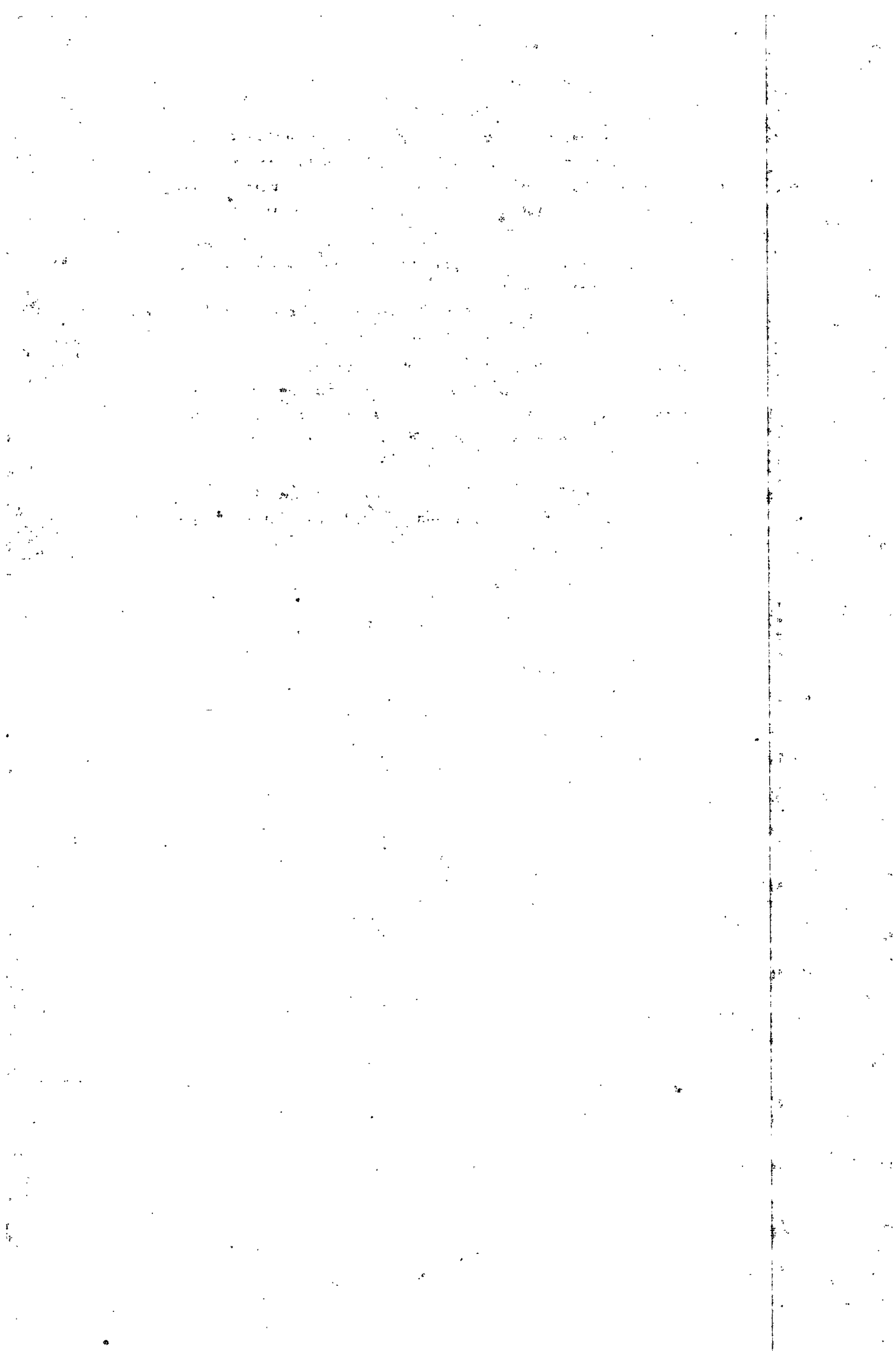
The European Parliament,

- having heard the appeals made by 54 Nobel prize winners and the World Conference on the problems of the least-advanced countries;
- whereas hunger has already killed millions of people and famine will tomorrow threaten hundreds of millions; whereas malnutrition irreversibly damages the mental and physical health of children throughout the world and the declining world economic order offers no prospect but an aggravation of the crisis;
- whereas Europe will find neither prosperity nor security in a world economy depressed by the growing distress of the masses in the South;
- whereas the new technologies to be invented as a result of the progress made this century in basic physics and biology, together with existing technologies that have not yet been transferred, are capable of meeting immense food and energy requirements if they are applied to land-based, fresh water and salt water production in today's poorest countries; whereas however it is not enough for such a solution to be possible for it to be implemented;
- whereas the natural course of events will bring untold suffering to the new proletariat of the world instead of leading to such a solution unless it is deliberately guided by the political leaders of the countries of the North and South;
- whereas Europe, which has led the world in the great industrial, scientific and technological adventure that has made poverty avoidable, owes it to itself to take the initiatives needed to restore the hopes of the populations of the South and recreate full employment in the North;
- noting and deploring the fact that, instead of increasing, North-South cooperation has lost momentum and that stupid egoism is regaining ground amid general gloom and despondency;

Invites the Council, the Commission and the Member States

1. To take or support the initiatives needed to check the deterioration in world cooperation and North-South relations;
2. To provide a substantial impetus by making full use of the United Nations and EEC systems, the Lomé agreements, agreements with non-associated countries and bilateral cooperation, but with additional resources;
3. To leave no stone unturned in trying to convince the other industrialized countries in both the west and east of the temperate zone as well as the oil-producing countries of the need to participate in the more effective world solidarity that is so urgently needed that there can be no geopolitical or financial excuse for delaying or evading it;

4. Even if those other countries refuse to join us, to embark resolutely on a joint programme between Europe and the countries of the south to overcome the threat of famine that looms ahead and redirect the world economy along a course of growth in keeping with a new model;
5. Irrespective of emergency food aid, to allocate priority to measures to help Third World countries, particularly the poorest, to increase their capacity to produce the food and energy they need and, with the aid of science and technology, to sow the seeds of their future progress and greater autonomy in their industrialization;
6. To negotiate without delay with the oil-producing countries and the countries in difficulty, new bases for the financing and management of investments and North-South trade, and, in this framework, the possibility of setting up a development bank jointly by Europe and the countries of the South;
7. Calls on the Commission to report to it annually on the state of the world economy, North-South relations and the results of the European initiatives.



ANNEX II

MOTION FOR A RESOLUTION (Doc. 1-609/81)

tabled by Mr G. FUCHS

pursuant to Rule 47 of the rules of Procedure

on the action to be taken by the Community following the Paris
Conference on the least developed countries.

The European Parliament,

- having regard to the Community's general policy to reactivate the North-South dialogue,
 - having regard to the Commission communication to the Council of 20 March 1981 (COM(81) 68 final) setting out the Community's objectives in the central field of trade relations with the developing countries concerning, in particular, raw materials,
 - having regard also to the Commission communication to the Council of 19 June 1981 (COM(81) 319 final on the UN Conference on the Least Developed Countries,
 - having regard finally to the New Substantive Programme of Action for the 1980s, adopted on 14 September in Paris by this Conference, which states that developed countries which trade in raw materials with the least developed countries should study ways of assisting these countries so as to offset the damage caused to them by losses in foreign currency revenue arising from fluctuations in their exports of raw materials,
1. Views with extreme concern the disastrous effects of the fluctuations in the prices of raw materials on the economic development of the least developed countries;
 2. Considers that the Programme adopted by the Paris Conference amounts to an initial commitment which the Conference participants and the Community in particular should transform into practical measures as soon as possible,
 3. Calls therefore on the Commission and Council in particular to undertake as soon as possible the preliminary studies needed to enable a Stabex mechanism for the least developed countries to be put into operation for the benefit of those least developed countries which are not yet covered by the Stabex mechanism already in force in the ACP States;
 4. Requests the Commission and the Council to report to it as soon as possible on this subject;
 5. Instructs its President to forward this resolution to the Council and the Commission of the European Communities.