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# European Communities

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### Report

drawn up on behalf of the Committee on External Trade Relations

on the ~~the~~ outcome of the Third Session of UNCTAD (Santiago de Chile, 13 April -  
21 May 1972)

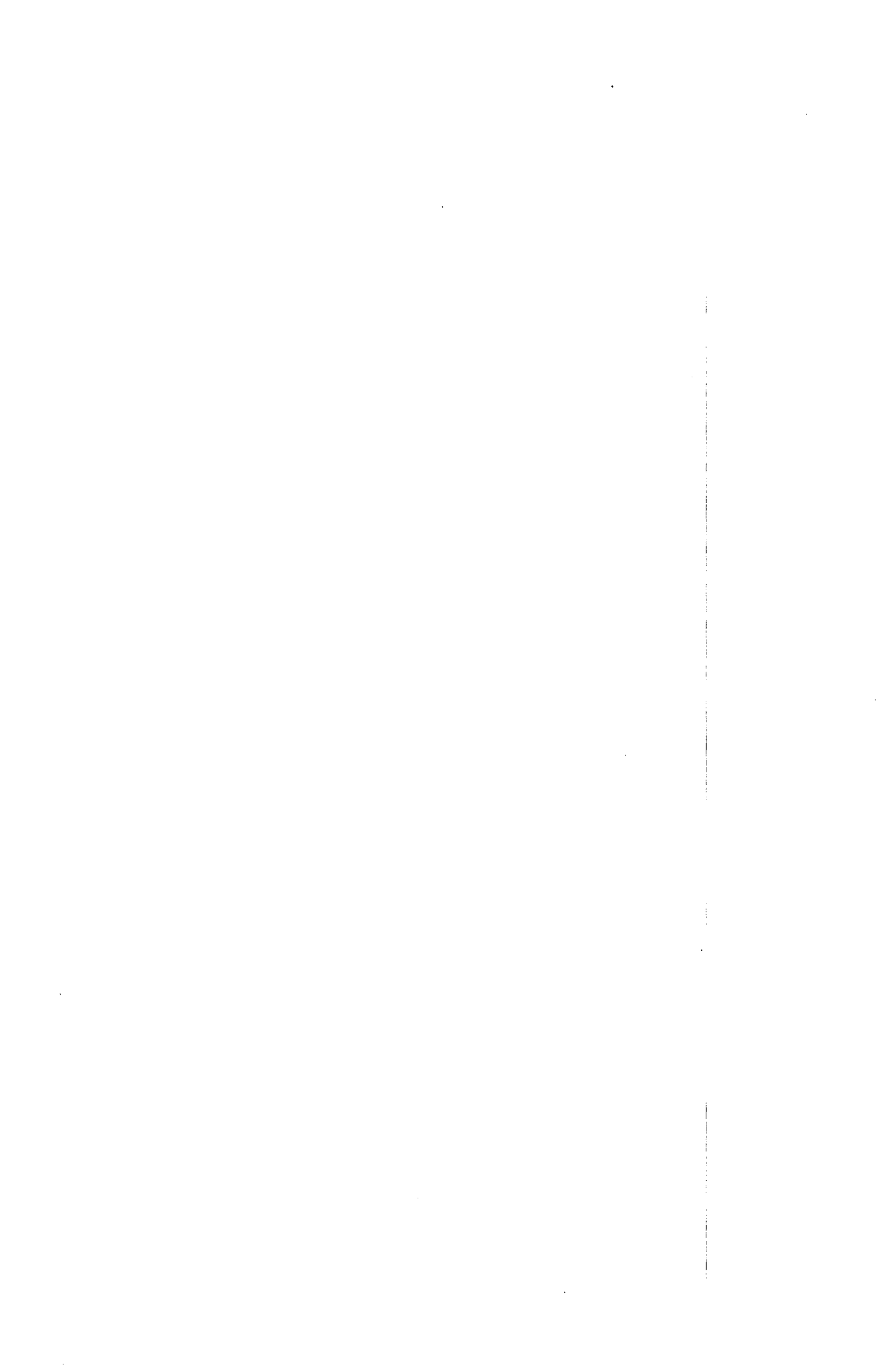
Rapporteur: Mr Pierre-Bernard COUSTÉ

PE 30.398/def.

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\* This issue contains the resolution adopted by the European Parliament on 4 July 1972

(\*) This translation must not be treated as an official text. Readers are reminded that the official texts exist only in the Dutch, French, German and Italian languages.



In its resolution of 14 March 1972 on preparations for the Third Session of UNCTAD, the European Parliament invited 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 conference.

The Committee on External Trade Relations, which had appointed Mr Cousté rapporteur on 25 October 1971, examined the work and the findings of the Third Session of UNCTAD at its meetings on 23 March, 24 March, 8 May, 16 May, 5 June and 27 June 1972.

At this last meeting the motion for a resolution and explanatory statement were adopted by 9 votes to 4 with two abstentions.

The following were present: Mr de la Malène, Chairman; Mr Boano, Vice-Chairman; Mr Cousté, Rapporteur; Mr D'Angelosante, Mr Dewulf, Mr de Koning, Mr Lühr, Mr Meister (deputizing for Mr Werner), Mr Mommersteeg, Mr Richarts (deputizing for Mr Starke), Mr Riedel, Mr Rossi, Mr Schuijt, Mr Vetrone, Mr Vredeling.

C o n t e n t s

	<u>Page</u>
A. RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	8
I. Introduction .....	8
II. Conduct of the conference .....	9
III. The outcome of the conference .....	15
IV. Final remarks .....	23
Opinion of the Committee on Relations with African States and Madagascar .....	29

A

RESOLUTION\*

on the outcome of the Third Session of UNCTAD  
(Santiago de Chile, 13 April - 21 May 1972)

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The European Parliament,

- referring to its resolution of 14 March 1972<sup>1</sup> on preparations for the Third Session of UNCTAD,
  - 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. 83/72),
1. Regrets that, in spite of the wishes expressed in its resolution on preparations for UNCTAD 3, this conference has not yielded solutions which hold out any real prospects of an early overhaul of international economic relations along more satisfactory lines particularly as regards the marketing of developing countries' primary commodities;
  2. Considers, however, that a final assessment of the outcome of the conference can only be made in the light of the work to be undertaken by the organs of UNCTAD and GATT and the other international bodies to give effect to the resolutions and guidelines laid down by the Santiago conference;
  3. Notes that, although the matter of the linkage between special drawing rights and development finance has not yet been settled, the Santiago conference accepted the principle that developing countries should be involved in the reform of the international monetary system and spelt out arrangements for enabling these countries to take part in the multilateral trade talks planned for 1973;

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<sup>1</sup> OJ No. C 36, 12 April 1972, p. 23

\* This resolution was adopted by the European Parliament on 4 July 1972

4. Particularly welcomes the fact that UNCTAD 3 recognized the importance of the specific problems affecting the least developed nations, and that provision has been made for special measures to assist the countries concerned; this has also had the effect of placing the EEC's association with the AASM - many of which are among the least advanced of the developing countries - in a new light;
5. Stresses the importance of the resolution adopted at Santiago on World Bank intervention in the machinery for the operation of international commodity agreements and trusts that the Community will take positive action towards having it put into effect;
6. Whatever attitude the other industrialized countries may adopt, expects the Community and its ten Member States to conclude a cocoa agreement with the developing countries concerned, and in particular with the Associated States, before the end of 1972;
7. Deplores the fact that no headway was made at Santiago on the issue of external financial assistance which is of crucial importance for the developing countries, beyond the level of political decision reached on the eve of the conference;
8. Welcomes the efforts made throughout the conference by the Community's representatives, in spite of institutional and political difficulties, to secure worthwhile results in cooperation with the acceding Member States and the Associated States;
9. Regrets, however, that these efforts were not better coordinated between the Member States as this would, among other things, have strengthened the Commission's negotiating brief;
10. Draws attention to the fact that the Third World expects the enlarged Community to pursue a more substantial and wider-ranging development policy commensurate with its increasing world-wide responsibilities;
11. Consequently invites the Community and its Member States to do everything they can as soon as possible to achieve this objective and to improve the Community's decision-making machinery in the sphere of development aid;
12. Again stresses that the association agreements concluded by the Community with the African States continue to serve as a model and can only help pave the way for more comprehensive solutions;

13. Trusts that the monetary measures taken by the industrialized countries will not work to the detriment of the developing nations, and in particular that the Community Member States and the acceding States will make special allowance for the interests of the Third World in the monetary decisions they will have to take in the light of recent developments;
14. Recommends that appropriate steps be taken to ensure that the European Community will no longer be represented merely as an observer in the organs of the United Nations responsible for economic and social matters, but that it will acquire a status commensurate with its role and place in the world;
15. 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 EEC/East African States Association Council, and the Secretary-General of UNCTAD.

EXPLANATORY STATEMENTI. Introduction

1. The Santiago session of the United Nations Conference on Trade and Development (UNCTAD), which follows the Geneva conference of 1964 and the New Delhi conference of 1968, was inaugurated on 13 April by the President of Chile, Mr Salvador Allende, and came to a close on 21 May 1972 after three successive all-night sessions had made it possible for the proceedings to be wound up with the adoption of some fifty resolutions.

2. At first glance, the results of this vast international confrontation between the developed and the underdeveloped countries, which was attended by 3,000 delegates representing 141 countries, 37 international bodies and 42 non-governmental organizations, are so meagre that the whole exercise has been written off by some observers as a failure. It is a fact that at Santiago the rich and the poor countries were unable to reach agreement on texts which were frequently couched in very vague terms and contained no binding provisions: the rich countries made it clear once again that they intend to retain their power to decide whether to grant or withhold concessions and that they are not yet prepared to re-fashion their economies in the short term as part and parcel of a world trade reform designed to speed up the development of the poorer nations.

3. In fact it would be a mistake to talk about an international conference on this scale in terms of success or failure.

Even if the circumstances in which it was held had been more promising, UNCTAD 3 could never have solved at one go all the problems besetting the Third World. Only time will allow a proper appraisal to be made of a meeting which, by its very nature, could not possibly have achieved anything very spectacular. It was not, for example, until 1971 that a start was made in acting on the New Delhi talks on generalized preferences.

Hence it will only be possible to judge the full significance of UNCTAD 3 in the light of the action the international bodies responsible take to give effect to the new ideas that have emerged at Santiago. The European Community, to whom the Third World is looking for a more substantial and wider-ranging development policy, ought to make a decisive contribution towards the success of this action.



## II. Conduct of the conference

4. UNCTAD 3 was held at a time when international relations were going through a particularly awkward and uncertain period.

The international monetary crisis and the prospect of full-scale trade negotiations in 1973 inevitably led the industrialized countries to display even greater caution and reserve, and it is quite evident that no spectacular decisions could be expected at Santiago in these two vital sectors of the world economy.

As in 1964 and 1968, the UNCTAD conference coincided with the American presidential campaign. This meant that the United States was not in a position to undertake new commitments in respect of important monetary and trade issues, and that it acted as a brake on action by the developed world as a whole.

On their side the countries of the Third World hardly presented a more solid front. The differences that exist between Africa, Asia and Latin America, as well as between countries belonging to the 'Group of 77', became quite apparent during these long weeks of discussion, despite the attempt to coordinate positions in advance which found expression in the Lima Declaration. Furthermore, the claims advanced by the developing countries did not always receive consistent backing from the socialist countries which frequently fell out of line with one another. The Chinese People's Republic, attending UNCTAD for the first time, took care not to get embroiled in the squabbles between the developing countries and declined to take over the role of leader.

5. The enlargement of the European Community was another factor contributing to the general uncertainty. As it happened, the Six were not in a position to take any fundamental decisions which might have tied the hands of the future enlarged Community. Moreover, the lack of a real Community policy on cooperation and development was the underlying reason for the different stances adopted by Member States on matters not yet falling within the Community's terms of reference.

6. Well before the conference, the European Parliament had concerned itself with the question of active and effective participation by the European Economic Community in the Santiago proceedings. In its resolution of 14 March 1972 relating to Mr Cousté's report<sup>1</sup> on preparations for UNCTAD 3 the Parliament stated its position in relation to the main items on the

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<sup>1</sup> Doc. 278/71, 13 March 1972

Santiago agenda and requested in particular that, pursuant to Article 116 of the Rome Treaty, Member States should define, through a single spokesman, a common position in those areas not yet falling within the sole competence of the Community.

Meanwhile the Commission had submitted to the Council on 8 and 13 March a number of documents containing proposals as to the approach the EEC should adopt at Santiago. A few days later, at its session of 21 March, the Council finally defined its position; it issued directives for ensuring smooth coordination between Member States as well as the requisite contacts with the acceding States and consultation with the Associated States<sup>1</sup>, and laid down guidelines on the key issues.

The outcome of these exchanges was notified to the European Parliament on 9 May while the Santiago conference was still in progress, during a debate on an oral question submitted to the Council<sup>2</sup>. The guidelines finally adopted by the Community may be summarized as follows:

- need to take account of the problems of developing countries in the 1973 trade negotiations but without neglecting efforts to reduce trade barriers between industrialized countries; in this connection two principles already recognized by the Community had to be confirmed: firstly, as regards customs duties, when faced with a very different economic situation it is not enough simply to apply the rule of equal treatment; secondly, the reciprocity rule cannot be applied in the same manner to industrialized countries and developing countries alike;

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<sup>1</sup> The 18 African States and Madagascar associated with the EEC under the Yaoundé Convention also turned their attention to the question of coordinating their efforts in respect of UNCTAD 3. At a meeting held in Brussels on 24 March they defined their position

- in favour of the conclusion of world-wide or regional agreements on primary commodities;
- against any lowering of the EEC's customs tariff which would erode the preferences they enjoy at present on the European market;
- in favour of the idea of sharing markets, the industrialized countries committing themselves to providing outlets on their markets for products from the developing countries in those sectors in which the industrialized world and the Third World are in competition with one another;
- against any widening of the system of generalized preferences introduced by the EEC, as from 1 July 1971, in favour of manufactures and semi-manufactures from all developing countries;
- in favour of permanent on-the-spot coordination in Santiago between their position and that of the EEC.

<sup>2</sup> Oral Question No. 2/72 on the steps taken by the Community at the Santiago World Conference.

- as regards primary commodities, an approach geared to the progressive and concerted adaptation of individual product economies, subsequently extending to groups of products; in addition improvement of developing countries' exports should be secured not only through stage-by-stage removal of trade barriers but also through the conclusion, where appropriate, of international commodity agreements;
- in the case of primary commodities and manufactures as a whole, need to take steps to promote exports, as merely granting freer access to markets is not enough;
- as far as monetary matters are concerned, desirability of ensuring that any solution sought should make special allowance for the interests and legitimate aspirations of the developing countries;
- as regards the problem affecting the least developed countries which do not benefit equally from the general measures, attempt to come up with appropriate solutions covering both trade policy and financial assistance and technical cooperation.

7. The European Community's position was officially put to the Santiago conference by the Council's President-in-Office, Mr Gaston Thorn, Minister of Foreign Affairs of the Grand Duchy of Luxembourg. During the general debate which took place after the constituent procedures had been completed<sup>1</sup> and continued until 27 April, the representatives of all the EEC Member States as well as the President of the Commission of the European Communities, Mr Mansholt, and the head of the Commission delegation, Mr di Martino, also addressed the plenary meeting.

The general impression made by the addresses of the representatives of the Six was that the Community had not as yet firmly made up its mind to take practical steps towards solving the problems of development. In fact the declaration in favour of Third World participation in the reform of the international monetary system and the noticeable convergence of views on commodity agreements could not hide the differences which had come to light between the delegations of the EEC Member States as regards access to markets. The so-called liberal argument, which found its chief defender in the German delegation, advocated a number of measures (elimination of quotas, lowering of customs barriers) designed to give primary commodities from the Third World greater freedom of access to the market of the rich countries, whereas the keystone of the alternative argument put forward by the French

<sup>1</sup> After electing the chairman in the person of Mr Clodomiro Almeyda, Chile's Minister for External Relations, UNCTAD appointed 26 vice-chairmen and a rapporteur. It then set up six large committees, each comprising representatives of all the Member States, and three working parties.

delegation was that commodity-by-commodity agreements should be concluded with a view to stabilizing production and rates of exchange.

The presence of two EEC spokesmen - the President of the Council and, three days later, the President of the Commission - already suggested that there was little cohesion within the Community as such. President Thorn's address, in which he depicted the Council's decision of 20 and 21 March in as favourable a light as possible, aroused little enthusiasm; and although Mr Mansholt's speech, which was questioningly self-critical but predictably restrained in terms of its political commitment gave moral satisfaction, it did nothing to remove the Community's internal stresses and strains.

8. As for the contributions made by the developing countries to the general debate, most of them focused on the critical situation in which the international monetary crisis had placed them, the relative decrease in the flow of official aid from the developed countries, and their misgivings about the multilateral trade negotiations planned for 1973 which they fear may undermine the advantage they hope to derive from generalized preferences. The Third World also criticized the way in which the developed countries and their multinational companies were exploiting its natural resources. At Santiago considerable differences came to light between the countries of the Third World owing to conflicts of interest caused by unequal development.

The socialist countries, too, frequently gave evidence of their disunity. The delegates from Peking, who adopted a posture of extreme reserve, put forward no claims and did not seek admittance to the 'Group of 77'. When they did intervene, it was mainly in order to criticize the International Monetary Fund - in which a representative of Formosa still has a seat - denounce the control the major Western countries wield over this body, and request that a world monetary conference be held at which all countries would be represented.

The countries of the East European bloc led by the Soviet Union - and to which Rumania evidently no more belonged than Yugoslavia - were more interested in the differences between the EEC countries than in the needs and wishes of the Third World. The Soviet delegation immediately launched an all-out attack on the European Community as such and strongly objected to the presence of Commission observers in most of the working parties and contact groups - whereas Rumania's efforts were primarily directed towards gaining admittance to the group of developing countries so as to benefit from the system of generalized preferences. At Santiago it became apparent that the Socialist countries' real concern is to develop their trade not with the Third World but with the industrialized countries.

9. In the mood of disenchantment that followed the general debate, the committees and working parties started their work, which in most cases centred around the draft resolutions tabled and uncompromisingly defended by the 'Group of 77'. By and large, the discussions lagged a long way behind schedule mainly because of the profound divergences separating the Africans and Latin Americans within the 'Group of 77', which was trying, under the direction of the three 'coordinating countries' (Brazil for Latin America, Ethiopia for Africa and Malaysia for Asia) to put forward its claims en bloc. After three weeks of discussion, agreement had only begun to take shape on two topics: the code of conduct for maritime conferences and the special situation of the poorest developing countries.

10. During the conference many countries attacked the Europe of the Six, the heaviest criticism being directed at its agricultural policy. The Community delegation put up a vigorous defence, pointing out that the EEC's trading deficit with the Third World had risen to more than \$ 4,700m dollars and that the Community was in the vanguard of the developed world in granting generalized preferences.

However, in the discussion of key issues, the European Community, bound by the Council decision of 20 and 21 March, was forced to take refuge in a passive approach, not venturing outside the area of agreement shared by all the industrialized countries. As Mr Dewulf - the only member of the European Parliament to have taken part, as a Belgian delegate, in the entire proceedings - indicated in a telegram read out during the parliamentary debate of 9 May, the Community neither played a leading role in the discussions nor put forward any original proposals that might have created a new image of Europe in the eyes of the Third World.

11. As it drew towards its close the Santiago conference began to break up in confusion, with the major countries resorting to every means at their disposal to prevent UNCTAD 3 from appearing to be a failure. As no constructive political dialogue got under way, the only progress made was on minor issues: synthetics, insurance, sea transport, ports, freight rates, expansion of fleets, reactivation of the cocoa agreement, sub-contracting, structural adjustment, restrictive trade practices, promotion of exports, and the strengthening of existing external financial commitments. But every time anything politically new and more awkward came up, it was referred to the 'summit', i.e. to the 'Aconcagua Group', the internal consultative body set up by the conference chairman with a view to finding solutions to the fundamental issues<sup>1</sup>. It was this restricted group which

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<sup>1</sup> This 'summit' body comprised two EEC Member States but not the country at present holding the presidency of the Communities' Council of Ministers

examined, among other things, special drawing rights and the setting up of a liaison body between GATT, the IMF and UNCTAD. The Aconcagua Group was instructed to review all the solutions proposed on the most difficult issues but until the last few days of the conference the main proposals for new guidelines remained bogged down.

12. The final discussions also saw the participation of Mr Mansholt, President of the Commission of the Communities, who had returned to Santiago in an attempt to get the Six Member States and the four acceding States to ensure that, when the final vote was taken on the resolutions, the European Community adopted a more constructive position than that of the other industrialized countries.

President Mansholt's arrival finally made it possible for the EEC to launch the important initiative it had taken in agreement with the four acceding States: the presentation by the industrialized countries of a declaration on future negotiations within GATT and the arrangements for enabling the developing countries to have a larger voice in the discussions on the lowering of non-tariff barriers. In the declaration the Group B countries reiterated their firm resolve to take account of the interests of the developing countries from the moment the preparatory work started and throughout the negotiations proper. They stated their readiness to study with the developing countries ways and means of enabling them to play an effective part in the negotiations, in particular by making UNCTAD's facilities available to countries which are not contracting parties to GATT and by stepping up cooperation between the secretariats of the two organizations.

This consensus on the part of all the industrialized countries, although apparently of a purely institutional nature, was of fundamental importance for the work of the conference as it marked the acceptance of the principle of improved participation by the developing countries in the world-wide decision-making process. The credit for this development is mainly due to the Commission delegation, which was the first to appreciate the full dimensions of the problem and played a crucial role in the quest for an agreement overriding the very strong reservations initially evinced by some of the developed countries.

The steps taken by the Community delegation also smoothed the way for the adoption by the conference of an important resolution on the stabilization of primary commodity prices and on the role of the International Bank for Reconstruction and Development in this respect. President Mansholt's personal approach to President McNamara was in fact decisive.

Moreover, the increased bridge-building efforts made by the delegations of the Community Member States during the last stage of the conference also contributed to the final consensus reached on the participation of all developing countries in the reform of the international monetary system and on the need to tackle in a constructive spirit the question of linkage between special drawing rights and development aid.

These then were the most important successes scored by the developing countries in Santiago, and they would not have been possible without the help of the European Community and its Member States, particularly when one takes into account the unpromising circumstances in which UNCTAD 3 was held.

### III. The outcome of the conference

13. The main result of UNCTAD 3 was the acceptance in principle of the developing countries' participation in the reform of the international monetary system and in the full-scale multilateral trade negotiations planned for 1973.

The other important areas in which significant progress was made were:

- treatment to be accorded to the least developed countries;
- institutional issues;
- the code of conduct for 'maritime conferences'.

14. Before examining each of these points, it should be noted that the only major resolution unanimously adopted was that relating to the principle of a special aid programme in favour of the poorest countries. However, unanimity is normally the indispensable prerequisite for such texts to be acted upon: countries voting against the resolutions or abstaining do not in fact consider themselves bound by the texts, and their refusal to put them into effect often provides those who voted in favour with an excuse for not taking any action either. This is what will happen, for example, to the resolution for setting up a genuinely universal international trading organization alongside GATT; as all the industrial countries voted against it, it has only a symbolic value.

### Reform of the international monetary system

15. After a last-minute round of negotiations, which meant adjourning the last all-night session for several hours, the conference passed a resolution on the impending reform of the international monetary system.

In an attempt to overcome the reservations of the industrialized countries, UNCTAD's secretary-general, Mr Manual Perez Guerrero, had initially proposed that a permanent liaison council be set up linking UNCTAD, IMF and GATT, the idea being that the countries of the Third World would take part in the monetary negotiations through the good offices of this new body.

When this project was turned down, the 'Group of 77' came forward with a new motion for a resolution of which the most hotly contested chapter was that relating to the 'link' to be established between special drawing rights and development aid. In its first text the '77' asserted that the conference fully endorsed the institution of a link between special drawing rights (SDR) and additional financing for development<sup>1</sup>.

The text which was finally adopted (TD/L 101) recognizes that the question of the link deserves the most serious attention and, consequently, 'urges the International Monetary Fund to pursue its considerations of all aspects of proposals for a link' between SDRs and development aid in the context of discussions on international monetary reform, 'having regard to the primary role of SDRs as a reserve asset', and invites the executive directors of the IMF to 'present as soon as possible' to the board of governors 'the studies required for decisions that are necessary on the possible implementation of a viable scheme'.

When, at the request of the United States, a separate vote was taken on the matter of SDRs, a number of countries, including the United States, abstained; the EEC countries and the four acceding States, on the contrary, voted in favour.

16. In the remainder of the resolution, UNCTAD

- recognizes that a more satisfactory system of monetary cooperation with the widest possible participation on the part of the developing countries is desirable;
- firmly endorses the opinion that the developing countries should have an effective say in the decision-making process in respect of the international monetary system and its reform;

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<sup>1</sup> The 'Group of 77' would have liked to make the link automatic: every time that an industrial country availed itself of its special drawing right on the monetary fund, an equivalent amount, or at least a part of this amount, would have been earmarked for development.

A number of countries - in particular France and Japan - seemed to be in favour of the project. Since the announcement of the dollar's non-convertibility on 15 August 1971, some experts are of the opinion that SDRs might replace the dollar and, alongside gold, act as a real reserve currency. Other countries are against this project as they hold the view that the proliferation of SDRs carries with it a risk of inflation.



- urges that, in view of their interdependence, the issues relating to the monetary, trade and finance spheres should be solved in a coordinated manner.

17. The resolution also invites the International Monetary Fund to give sympathetic consideration to the project for setting up a committee of 20 members which would have the same composition as the IMF executive board and would fulfil an advisory function in relation to the reform of the monetary system.

Otherwise, the resolution makes do with requesting that the secretary-general of UNCTAD, the director-general of the IMF and the director-general of GATT consult one another as to ways and means of coordinating monetary with trade and development issues.

The socialist countries of eastern Europe and the Chinese People's Republic raised the objection that the resolution made no mention of the fact the the IMF, in which they are not represented, was neither a truly representative international body nor a fundamentally egalitarian one. Once again they called for a world monetary conference.

#### 1973 trade negotiations

18. An extremely important statement (TD/173) in relation to GATT and UNCTAD was made on behalf of the western group of countries on the initiative of the enlarged EEC. In it the countries concerned recognize the need to ensure effective participation by the developing countries in the forthcoming 1973 negotiations, including those which are not contracting parties to GATT.

The western countries suggested that the secretary-general of UNCTAD be invited to give his assistance to those developing countries that requested it - and particularly those which are not contracting parties to GATT - in preparing for the negotiations.

Finally, the statement contains a particularly important concession to the developing countries: the principle of recourse to the UNCTAD secretariat's experience during this preparatory phase.

19. This important move on the part of the western countries made it possible for the conference to pass a resolution (TD/L.97) calling for all developing countries to have the opportunity to play a full, effective and continuing role at all stages of the negotiations so that full account would be taken of their interests.

The resolution also sets out preliminary provisions for ensuring Third World participation in the negotiations, and the secretary-general of UNCTAD and the director-general of GATT have been asked to coordinate their activities to this end.

In the same resolution the developing countries have also insisted on listing their substantial claims, particularly in regard to the principles which should guide the negotiations. For example, it has not yet been specified whether the countries which do not belong to GATT should or should not join it beforehand so that they can automatically be party to the negotiations.

#### The least developed countries

20. Whereas hitherto UNCTAD had adopted a somewhat 'egalitarian' approach to the problem of the developing countries, the preparatory conference held in Lima last March raised the question of according special treatment to the least developed countries so as to enable them to derive real benefit from the general measures adopted in favour of the Third World and to make up their leeway.

The United Nations selected three criteria for deciding which countries should benefit from special assistance: gross national product per capita below \$ 100 a year, share of industry in GNP below 10 per cent, and illiteracy rate equal to or above 80 per cent. By applying these criteria it was possible to draw up a list of 25 countries whose GNP per capita is, on average, \$ 85 a year (the corresponding figure for the 71 other Third World countries being \$ 200) and whose annual growth rate over the ten-year period 1960-1970 averaged 3.5 per cent (corresponding figure for the other 71: 5.2 per cent). This first list comprises eight Asian and Middle Eastern countries (Afghanistan, Bhutan, Laos, Maldives, Nepal, West Samoa, Sikkim, Yemen), sixteen African countries (Burundi, Dahomey, Upper Volta, Mali, Niger, Rwanda, Somalia, Chad, Uganda, Tanzania, Botswana, Lesotho, Malawi, Ethiopia, Guinea, Sudan) and one Latin American country: Haiti.

21. Discussion of this problem within the Group of 77 was not easy. Some developing countries criticized the criteria used and asked that they should also benefit from special advantages. Others, the most advanced, were afraid that they would have to foot the bill for the advantages accorded to the 25 'poor countries'. It was finally decided that the criteria should be revised so as to extend the list of beneficiaries, and that on no account should the advantages accorded to the '25' affect the interests of the other countries of the Third World.

22. The programme of 'special measures' finally adopted at Santiago is one of the rare items on the agenda which was unanimously approved by all participants. The proposal for establishing a special fund for the least advanced countries having been set aside, the resolution adopted (TD/L 87) provides for an initial set of practical steps both in the commercial and in the financial spheres. The normal financing bodies (World Bank Group, UNDP, regional banks) are invited to grant the '25' additional credits, and measures designed to encourage their visible exports (preferential quotas, lowering of customs barriers) will have to be adopted by the industrial nations and even by the other countries of the Third World (but, in the case of the latter, only within the framework of regional associations).

The African countries are particularly interested in this resolution as the problem of the least developed countries is primarily an African problem. It should be noted that of the 25 countries benefiting from special measures, ten are associated with the EEC under the Yaoundé Convention or the Arusha Agreement (Burundi, Dahomey, Upper Volta, Mali, Niger, Rwanda, Somalia, Chad, Uganda, Tanzania).

#### Institutional questions

23. The main resolution voted on this point relates to the study by the Trade and Development Board on the setting up of a general international trading organization. This resolution was adopted by a majority vote; the western countries and some of the AASM voted against.

The new international organization proposed by the developing countries would have as world-wide a character as possible both in terms of its composition and the range of problems it would deal with. It would endeavour to promote international trade particularly between developing countries and between countries with different economic and social systems, taking account of the work of existing international organizations.

24. The Santiago conference also adopted provisions relating to the strengthening of the institutional machinery of UNCTAD which is an organization that - in the view of the developing countries - should assure the defence of their interests vis-à-vis IMF and GATT which are controlled by the industrialized countries. The Trade and Development Board - one of UNCTAD's permanent organs - will from now on comprise 68 members (instead of 55): 14 Asian countries, including the Chinese People's Republic, 15 African countries, 11 Latin American countries, 21 industrialized countries and 7 countries from the socialist bloc.

UNCTAD has also made provision for setting up new permanent bodies (Special Committee on Preferences and an inter-governmental group for the least advanced developing countries). In addition, the meetings of the large technical committees held during the four-year period between UNCTAD sessions will be transformed into genuine small conferences in the hope that they will increasingly acquire real negotiating powers.

The developing countries also secured the adoption of a procedure for examining to what extent the industrialized nations have lived up to the promises they have made since the first meeting of UNCTAD in Geneva in 1964.

#### Sea transport

25. Considerable progress was made in working out a code of conduct for maritime conferences aimed at reducing the advantage that shipowners from the industrialized countries sometimes enjoy on the developing countries' transport markets.

The resolution on this matter was carried only by a majority as all the western countries were against it. The Third World's wish to possess a fleet of their own that would provide them with a source of revenue can undoubtedly be justified, provided that the right of free competition and the rules relating thereto are observed.

#### Primary commodities

26. It was in the primary commodities sector that the Third World experienced its bitterest disappointment at the failure to make any real headway towards solving the basic issues.

Two resolutions were adopted on the international cocoa agreement and on competition between natural commodities, but they do not fundamentally change the existing situation. The Community and its six Member States firmly endorsed the 77's position in respect of the cocoa agreement, stressing their readiness to continue resolutely all their efforts in this direction; but it seems that nothing new materialized to hold out any prospect that the United States' views on and attitude towards the conclusion of this agreement will undergo any basic change in the foreseeable future.

27. Other resolutions were also adopted, but only by a majority vote, on arrangements for the marketing and distribution of primary commodities, the exploitation of ocean-bed resources, the stabilization of primary commodity prices, and the role of IBRD.

The last of these resolutions is particularly important because intervention by the World Bank could have a crucial effect on the solution of the problems still presented by the financing of regulating stocks and diversification measures. The approved text recommends that the IBRD group should directly finance intergovernmental bodies whose purpose is to regularize raw material prices within the framework of agreements concluded on a product-by-product basis. This resolution, in regard to which the Community delegation's intervention was decisive, was adopted with only two votes against.

28. On the other hand, the motion for a resolution on diversification was referred back to the Trade and Development Board as no possibility of reaching agreement had been found because of the '77's' insistence on access to markets.

The same thing happened in the case of the two basic questions of access to markets and prices policy which brought to a head a fundamental disagreement between the developed countries and the 'Group of 77'.

The conference confined itself to passing a resolution for stepping up intergovernmental consultation on primary commodities as regards access to markets and prices policy which was essentially a rehash of resolution 73(X) adopted in September 1970 by the Trade and Development Board. The United States was among those abstaining.

#### Manufactures

29. All the resolutions were adopted unanimously. They relate to aid arrangements for structural adjustment, restrictive trading practices, international sub-contracting and the promotion of exports.

A resolution was adopted on the liberalization of non-tariff barriers to trade which provided in particular for the setting up of a session committee of the Committee on Manufactures to study the issues involved. It was also decided to transform the Special Committee on Preferences into a permanent organ of the UNCTAD.

30. As regards generalized preferences, no progress worthy of note was made. As the United States had not yet honoured the commitment entered into in New Delhi, the other developed countries refused to grant new preferences.

#### Financial assistance

31. The developed countries were not prepared to make any new promises in regard to the scale and the conditions of their financial assistance for development. Nevertheless, some ten resolutions on development financing

were adopted by a majority with most of the western countries voting against or abstaining. The resolutions relate in particular to additional financing, the overall impact of public and private resources, the strings attached to government assistance, compensation for losses resulting from monetary realignment, foreign investment and the mobilization of developing countries' internal resources.

32. As regards the lightening of their debt burden, which this year totals \$ 60 thousand million, the developing countries submitted a resolution providing for a set of measures to enter into effect automatically if a particular country found itself in difficulties.

This project met with strong resistance from most of the developed countries as they held that such measures, which really amounted to rewarding bad management, would in fact undermine the international credit system.

#### Principles that should guide international trade relations

33. The developing countries presented a motion for a resolution on the principles that should guide international trade relations and trade policies geared to fostering development.

The resolution, which contains a recapitulation of everything that is the subject of claims, requests or concern on the part of the developing countries, covers such varied issues as: the invitation addressed to the developing countries to institute conversion programmes aimed at bringing about a more rational international division of labour; the reassertion of each country's sovereign right to freely dispose of its natural resources; the granting of preferential treatment to the developing countries in relation to all aspects of trade and development; ensuring Third World participation, on an equal footing with the other members of the international community, in all consultations and decisions leading up to the reform of the world trading and monetary system.

This motion for a resolution was adopted only by a majority with most of the developed countries either voting against or abstaining. The text therefore now only serves as a pointer to the line the developing countries intend to take in the future.

#### Other resolutions

34. The plenary session adopted a number of resolutions, mostly unopposed, on topics of a general nature. They include, in particular: the drafting of a charter of the economic rights and duties of States, the relevance of

environmental factors, the dissemination of information and the economic aspects of disarmament.

Resolutions were also adopted on more specific points examined by the conference, i.e. East-West trade, regional integration between developing countries and the transfer of technical know-how.

#### IV. Final remarks

35. A great deal has been said about the failure of the Santiago conference and the bitter feelings it aroused among the developing countries. It is undoubtedly true that the meeting was not helped by the international situation. Haunted by grave anxieties about the economic situation - monetary crisis, trade problems, renewed expansion, fight against inflation and unemployment - the western countries were little inclined to make far-reaching sacrifices for the sake of the Third World; and when it came face to face with the developed countries the 'Group of 77', which in fact comprises 96 developing countries, found itself divided. As a result nothing of great moment emerged from UNCTAD 3.

It is also true that, by and large, all the moves made by the 'Group of 77' that might have broken new ground came to naught. Although the rich countries undertook to involve the Third World in the forthcoming monetary and trade talks, no progress was made on the key issues of the conference, in particular the marketing of the developing countries' primary commodities. The rich countries were not prepared to improve the financial conditions attaching to their development aid flow.

36. It would, however, be giving a one-sided picture of the conference if one dwelt solely on its negative aspects. UNCTAD 3 did yield other results of a more positive nature which can be divided into three categories:

- (a) In the first place the conference was able to adopt unanimously a whole range of resolutions which, although often relating to secondary issues, may nevertheless not be without important consequences.

Among these was the resolution adopted on the transfer of technical skills with a view to preventing companies in the industrialized countries from enjoying unduly advantageous conditions when making technical know-how available to developing countries. Unanimity was possible because the '77' chose to take a realistic approach and were willing to forego discussing in detail the kind of action that might be envisaged in the connection.

Unanimity was also achieved in regard to the institutions requested to look closely into trade in manufactures. The industrialized countries agreed to the Special Committee on Preferences continuing to function on a permanent basis and managed to have the project for a committee on non-tariff barriers to trade removed from the conference agenda, as its role is already filled by a similar body in GATT. In the same way resolutions were passed on insurance (developing countries will be encouraged to set up their own companies in this area), tourism (developing countries will provide facilities for tourist travel to the Third World), the expansion of trade between developing countries, and the fostering of regionalism. Finally, a resolution was adopted on the code of conduct for maritime conferences designed to lessen the hold of certain existing monopolies and provide more scope and more work for the fleets of the developing countries.

- (b) Another positive result of UNCTAD 3 was official recognition of the varying needs of the developing countries. For the first time, and not without some difficulty, the developing countries officially conceded that they were not all in the same boat and that there were in their midst some less privileged than others deserving of special treatment.
- (c) Finally, in the monetary and trade spheres, in which preparations are currently being made for far-reaching world-wide trade negotiations, the developing countries refrained from taking dramatic measures and realistically set about securing both a role for UNCTAD or its secretariat in the preparatory work for the negotiations and an assurance that their special interests would not be overlooked.

Similarly, in the sphere of trade it was possible to find a formula for settling the matter of Third World involvement in the projected 1973 GATT negotiations in a way acceptable to all participants. It cannot be denied that all the final texts were worded in the most cautious of terms, but insofar as they promise to keep an exchange of ideas between rich and poor going both within the permanent organs of UNCTAD and other bodies such as the IMF and GATT, they can be seen as useful pointers in the quest for a world-wide solution to the major economic problems of today.

37. Unrelieved gloom would therefore seem excessive, and this view is reflected in the position adopted by the Joint EEC/AASM Committee after the Santiago conference. At their meeting in Luxembourg from 29 May to 1 June 1972, the parliamentarians of the Yaoundé Association, while regretting that UNCTAD 3 had failed to solve the fundamental problems facing the developing countries, noted that it had nevertheless proposed more specific discussion by the competent international bodies of:



- measures to implement the special treatment which it had been agreed must be accorded to the least developed countries;
- a world agreement on cocoa;
- action by the World Bank to encourage the conclusion of world agreements for other products;
- participation by the developing countries in the discussion of possible solutions to international monetary problems.

38. If in the end the Santiago conference achieved some results which are far from being negligible, it threw into sharp relief the difficult problems posed by the very nature of UNCTAD.

At an international gathering of this kind too many matters have to be dealt with at the same time. If one leaves aside the 130 speeches which were made in Santiago during the ten-day debate on general policy, the delegates had barely three weeks at their disposal in which to study and discuss some 50 resolutions.

In view of this, it is a matter of urgency that the Council and the UNCTAD secretariat should seek a more rational way of working. Whereas the small delegations from the smaller or poorer countries find the task more than they can cope with, the big delegations on the contrary find it impossible to reach agreement amongst themselves.

Ideally, only priority issues should be included in the agenda and these should be dealt with in their main political aspects and on the basis of summary documents. The delegations and their spokesmen should also exercise greater self-discipline; the world-wide character of UNCTAD should not mean that everybody may at any given moment, seize on any issue whether or not it appears on the agenda. The specific task the conference has set itself must be adhered to: the time available to the conference should be put to the best possible use for confrontation, dialogue and political consultation on clearly defined topics.

On the other hand UNCTAD does not have a monopoly of development aid. Other international organizations are interested in the matter (UNDP, IDA, IBRD, BIT, IMF, GATT). Taking overall decisions will thus remain extremely difficult.

39. As regards the European Community's participation in the proceedings of the Santiago conference, it should first of all be stressed that the four acceding States, and in particular the United Kingdom, fully shared the

Community's views on matters of common interest<sup>1</sup>. That is a positive factor, and a most welcome one.

On the other hand cooperation between the Six only got off to a very slow start despite the efforts of the Commission's representatives to make the Community's voice heard at all levels. This was not an easy task and it was not made any easier when some delegations from EEC Member States openly revealed their differences, particularly in respect of the issues raised by primary commodities. Tribute should be paid to the work of the Community delegation and the devotion of its staff who made a vital contribution towards finding satisfactory solutions with a view to improving the Community's image in the eyes of the developing countries.

As has been seen, the European Community was often the focal point of discussion at the conference, as its trade policy and particularly its agricultural policy frequently came under fire from the developing countries and the east European countries. On the other hand, a number of factors worked to the Community's advantage chiefly because of the constructive role it tried to play throughout the conference: 1973 trade negotiations, international monetary matters, statements on sugar and cocoa. The two addresses made by President Mansholt to the plenary session and his discussions with the developing countries also did much to improve the Community's image.

Thanks to the combination of all these factors and a number of conciliatory gestures, the Community delegation managed to persuade the compilers of a draft resolution, which was essentially directed against the Community, and more particularly its enlargement, to refer it back to the Trade and Development Board.

40. However one looks at it, the European Community's present position within the institutional machinery of UNCTAD is not satisfactory. Immediate steps must be taken to ensure that the EEC is no longer present at the world conference and in its bodies as a mere observer but that it acquires a status commensurate with its role and position in the world.

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<sup>1</sup> Several coordination meetings were held between the delegations of the Ten. The Community delegation also held several information meetings with the AASM delegations, and close contact was maintained with these delegations throughout the conference. Links were also established with the East African countries and other countries associated with the Community as well as with Commonwealth countries that may be eligible for association.

41. One final remark is called for as regards the Community and its structures: the full measure of the Six's and the Ten's institutional and political weakness became apparent at Santiago; until the European Community has drawn the right conclusions from this lesson and strengthened the capacity for action of its institutional machinery no real headway can be made in the area of development aid.

The Community's institutional and administrative structures must be reviewed with an eye to gearing them more effectively to the requirements of a European development aid strategy. As regards the Commission more especially, it is desirable that after enlargement one of its members should be given sole and entire responsibility for development aid policy.

Discussion of the memorandum of July 1971 on Community development aid policy should be speeded up within the Council. The forthcoming summit conference of Heads of State or Government should provide the opportunity for strengthening Europe's policy for assisting the Third World.

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42. Was UNCTAD 3 a failure? The answer is Yes for those who expected new and far-reaching developments to emerge from it. In fact, it seems that the disappointment aroused by the Santiago session is keenest amongst those who see UNCTAD as something other than it really is.

UNCTAD is not and cannot be a political decision-making body; to think that it could be is unrealistic. UNCTAD can and should be a forum where differing views on economic, social, financial and monetary matters can come into contact and even into conflict with each other. It should give the industrialized countries - socialist and non-socialist alike - the opportunity to get to know one another, exchange views, and prepare for full-scale negotiations in the framework of the bodies which already exist for the purpose. Seen in this light, UNCTAD 3 was not a failure, as such meetings are planned in preparation for the negotiations to be held within GATT and the IMF.

There is, furthermore, no doubt whatever that the '77' had firmly made up their minds that, rather than vote by sheer weight of numbers texts which had no chance of being acted upon, they would in many instances make do with resolutions that were less radical but could provide a sound basis for discussion. When all is said and done, apart from some impassioned statements and highly explosive resolutions, the conciliatory spirit displayed by the

developing countries and their desire not to cut all contact with the West were plainly in evidence.

Hence, the gloomy view of UNCTAD 3 taken by the western press seems somewhat exaggerated; besides, it only mirrors one facet of the real reactions of the developing countries which, on the whole, left the Santiago meeting in a less despondent and less bitter frame of mind than had been the case with the two previous Sessions.

Opinion of the Committee on Relations with  
African States and Madagascar

Rapporteur for an opinion: Mr Ludwig FELLERMAIER

On 19 November 1971 the Committee on Relations with African States and Madagascar appointed Mr Fellermaier as Rapporteur for an opinion.

The draft opinion was examined and unanimously adopted at the meeting of 30 June 1972.

The following were present: Mr Achenbach, Chairman; Mr Fellermaier, Rapporteur for an opinion; Mr Armengaud, Mr Briot, Mr Corona, Mr Dewulf, Mr Laudrin and Mr Seefeld.

1. It would be going too far to write UNCTAD 3 off as a failure; while it is true that it did not come up with anything spectacularly new, it can nonetheless be seen, broadly speaking, as another step on the long road which should lead the developing countries, backed by the industrialized countries' aid flow, to a brighter economic and social future.
2. One should not expect the results of the Conference on World Trade to bring about an immediate and radical shift in development policy, but that does not mean to say that there will be no change at all. In the first place, it once again became evident from the proceedings that each country, and each group of countries, would like to see its own policy taken as the criterion for overall decisions. Carefully balanced resolutions demand of each country certain sacrifices. It was only when participants started making allowances for points of view other than their own that UNCTAD 3 was finally able to get somewhere - and even if the results are without any legally binding effect, their moral, political and psychological implications should by no means be underestimated.
3. The Committee on Relations with African States and Madagascar expressly welcomes the remarks set out in the motion for a resolution on the international monetary situation and, in particular, the fact that the consensus achieved confirms the competence of the International Monetary Fund (IMF) to discuss and settle this issue. The industrialized countries have expressly acceded to the developing countries' request that they be more closely involved in devising a new international monetary system. Putting these intentions into practice should not come up against any major difficulties within the International Monetary Fund, save as regards the developing countries' demand that a link be established between special drawing rights and development aid. If the developing countries are authorized, under any form whatever, to increase their quota of special drawing rights, care will at the same time have to be taken to ensure that this does not give rise to new world-wide inflationary trends. Finally, the EEC's failure to define any sort of official position on the reform of the IMF and the matter of special drawing rights must be deplored. The question as to the attitude the EEC should adopt on these issues must be settled as rapidly as possible.
4. The Committee on Relations with African States and Madagascar deeply regrets that despite protracted discussion of the thorny issues of primary commodities and preferences, the conference did not come up with any declarations of intent. This is the main reason for the failure to reach a substantial measure of agreement on primary products. One must nonetheless welcome the fact that the participants agreed to get a more down-to-

earth debate under way on an international cocoa agreement. The EEC is basically in favour of the conclusion of world agreements on primary commodities but also advocates bilateral solutions if the conclusion of such agreements should be beset by undue complications. The primary commodities issue should be settled as a matter of urgency - regulating of prices and market access for primary products originating in developing countries - for if the developing countries could sell their products on the world market at suitable prices, as the industrialized countries do with their own products, most of them would certainly be able to dispense with development aid.

5. But even if the matter of primary commodities was settled, this would only be an advantage insofar as the developing countries drew the right conclusions from their experience at Santiago and addressed themselves, in future, with greater determination to getting a number of important measures off the ground, even if these should not prove altogether popular: stepping up of agricultural reform, a fair system of taxation, training and employment opportunities for all, increased agricultural productivity and diversification of the economy. The number one problem for most countries, however, remains that of damming or otherwise limiting the population explosion, and unfortunately this subject only received marginal treatment at Santiago. As long as the population explosion continues - and this point should be made quite clear - stabilizing primary commodity prices and increasing development aid will not be enough to meet the cost of providing employment for the hundreds of millions of new job-seekers.
6. The conference provided proof that UNCTAD is not the forum where political decisions are taken; these decisions are taken during world monetary conferences, during the meetings of the contracting parties to the General Agreement on Tariffs and Trade (GATT) or within the EEC. The role of UNCTAD should now be redefined; and in this connection its terms of reference might be extended. It would, however, be more realistic to maintain UNCTAD in its present form but give the Third World a larger voice in international affairs - a development that already started to take shape at Santiago as representatives of several international organizations took part in the conference. Apart from this, UNCTAD's work should be organized along more rational lines; in particular, the number of questions on the agenda should be limited, i.e. only those issues should be tackled that are ripe enough for a decision.

7. The Committee on Relations with African States and Madagascar notes that at Santiago the 'Group of 77' strongly criticized the system of general preferences introduced by the EEC in 1971 as being too complicated and too protectionist. In this connection the committee stresses the fact that the Community endeavours to keep a constant check on the possible repercussions of generalized preferences with a view to counteracting any negative effects, taking particular care to ensure that the AASM suffer no disadvantage.
8. There are particular grounds for welcoming and recording the excellent spirit of cooperation that reigned among the Six and the Eighteen during the conference; the Euro-African association did not emerge any the weaker. Even though little effective progress was made towards settling pending issues, plans were nevertheless made for working together more closely in the future, and this is something to which the Joint Committee of the Parliamentary Conference of the Association also drew attention in its final communiqué of 1 June 1972.
9. It is right and proper that the decision taken at the Third Session of UNCTAD to undertake special measures on behalf of the least developed countries be welcomed as a positive achievement in view of the fact that the EEC has always asked for recognition of the principle that the developing countries have varying needs. In this connection attention should once again be drawn to the fact that most of the 25 developing nations belonging to the least advanced category are African countries, and that many of them are associated with the EEC (Burundi, Dahomey, Upper Volta, Mali, Niger, Rwanda, Somalia and Chad).
10. Although the Community is aware of its world-wide responsibilities, one must not lose sight of the fact that it took on clear-cut commitments under the Yaoundé Convention. Furthermore, the technical and financial assistance accorded by the EEC to the AASM is the best-organized aid system in favour of the poorest countries that exists. This exemplary pattern of cooperation should be continued and extended as European development aid is preferable to other aid systems by virtue of its being founded on the principle of equal rights and forming part of a meaningful whole comprising trade policy agreements, financial and technical aid and joint institutions. The criticism directed against this unique model, particularly on the part of the United States and UNCTAD, is groundless.



11. The Committee on Relations with African States and Madagascar once again welcomes the submission by the European Commission of the memorandum on a Community development cooperation policy, and hopes that the Council will rapidly take a decision on the matter so that a genuine development aid policy for the future may at last be drafted. A common development aid policy would complement the association with the AASM - the latter enjoying the triple advantage of multilateral agreements, institutionalized cooperation and regionalism and would strengthen the Community's role in external trade policy.
12. One of the main items on the agenda for the forthcoming summit conference between Heads of State or Government should be the question of development cooperation policy, particularly in view of the appeals addressed by the developing countries to the industrialized countries at the last session of UNCTAD. That is why the matter should be dealt with at the highest level, for the Rome Treaty does not provide for any instruments to implement a Community development cooperation policy.
13. Among the positive features of UNCTAD 3 one can certainly mention the fact that the protracted discussions that took place between the developing countries and the industrialized countries gave the various participants the opportunity to become better acquainted with their opposite numbers, their real situation and real potential. In future the two groups of countries should take care to coordinate their commercial and development policies if their governments intend, in keeping with present developments, to satisfy the aspirations of their peoples towards greater social justice. Now is the time to try and get relations between the two groups onto a pragmatic basis for although the Santiago conference witnessed no great leap forward it did teach those participating how to become better acquainted.

