

The Council

4TH SESSION OF UNCTAD

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Address delivered by

H.E. Mr G. THORN

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President of the Government - Minister of State
Minister for Foreign Affairs
of the Grand Duchy of Luxembourg

(Nairobi - 6 May 1976)

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Mr Chairman,
Ladies and Gentlemen,

1. A fortunate combination of circumstances, the chances of the rota for holding the office of President, has earned me the honour for the second time in succession, after Santiago, to address this eminent assembly on behalf of the Community. Everyone will remember that the 3rd session of UNCTAD was opened by President ALLENDE, who has since disappeared in tragic circumstances still present in everyone's minds.

The last time I was in Africa south of the Sahara was a little over three years ago, to preside, in a neighbouring country, a meeting of the Association Council under the Arusha Agreement which linked Kenya, Uganda and Tanzania to our Community. I personally am particularly gratified to be once more in the heart of the African continent, which is so dear to me.

My opening words are addressed to His Excellency Mr. Jomo KENYATTA, to pay tribute to his vast political experience and his profound knowledge of development problems, and to thank him for the warm hospitality offered by his country to our Conference. This country, moreover, is a particularly eloquent example of the aspiration of the Third World as a whole, of which it is experiencing all the problems and sharing all the hopes.

I also wish to congratulate the Minister, Mr. MWAMUNGA, on his election to the chairmanship of our Conference, and assure him that in his difficult and arduous task he can count on our collaboration entirely.

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Mr Chairman,

2. You know of the very special attachment of the European Community and its Member States to the African continent. The creation of the Community coincided with the process of decolonization, which is now happily practically at an end. The Community has pursued, in new terms and in common agreement with its African partners, a mutually beneficial collaboration. This link has all the same given rise to a certain number of difficulties, even criticism among our other partners, both industrialized and developing.

We are obliged to observe however, with regret, when we believed that that era was at an end, that this continent is still the scene of covetousness, bloody incidents and discrimination. Allow me to take the opportunity afforded me by this forum to call to mind the major principles which were recently formulated, at the time of the meeting of Ministers for Foreign Affairs, held in my country on 23 February 1976:

- the Nine are available for co-operation, if the African States so wish;
- repudiation of any attitude by any State intending to create a sphere of influence in Africa;
- respect for the independence of all the African States and their right to determine their national policy in full sovereignty and without foreign interference;
- support for the action of the OAU in order to promote African co-operation;

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- right to self-determination and independence for the peoples of Zimbabwe and Namibia and
- condemnation of the apartheid policy conducted by South Africa.

3. Since the 3rd session of the Conference, major events which we all remember well have shaken the world economy. The succession of these events led up, as its political culmination, to the 7th special session of the United Nations, in the context of Resolution 3362 adopted under the chairmanship of my predecessor and friend, the Minister Mr BOUTEFLIKA.

The community of nations is today facing an immense challenge. It has set itself the target of bringing into being a fairer and more equitable economic order designed to ensure the developing countries a greater share in the fruits of world growth as well as more weight in the international decision-making bodies.

Such a design, of worldwide scope, of necessity requires the cooperation of all. For decades to come, world peace, stability and growth will all depend on its realization.

I make so bold as to assert that within the European Community the political will exists to transform into reality the aims to which it is pledged.

This political will is based on a number of fundamental observations which must henceforth be taken into consideration in the interest of the developed countries just as much of as of the developing countries.

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- 1st observation: the economic and monetary system brought into being after the Second World War has deteriorated very considerably. To be sure, it has given the world two decades of unprecedented expansion of production and world trade, and a good number of developing countries, let us remember, have found a stimulus for the sustained growth of their economies. But at the same time, the institutions operating in this international context have seen their ability to master the trend of events gradually diminishing, and this has become a little more clear every time when there has been a crisis which has shaken the international economy over the last few years: crisis in the monetary system (1971), crisis of commodity markets and international price inflation (1973), petroleum crisis (1974), economic crisis which, all the same, did not make it possible to curb inflation (1974-1976), which we are still experiencing to a greater or lesser degree.

The petroleum crisis in which were concentrated the political, economic and monetary dimensions of the crisis of the international system precipitated the course of events, by revealing in particular the dangers of the trial of strength and the need for close co-operation.

- 2nd observation: in this world which the technological revolution has reduced to the size of a planetary village, the interdependence of nations has assumed considerable magnitude, following the rapid growth in international trade and the development of capital movements and economic co-operation.

Some years ago a Ghanaian President of one session of the UNCTAD Board - how many are there who remember it still? - was led to address himself to the Community, saying to it: "Your prosperity is ours as well". Today the opposite statement is just as necessary. It ensues naturally from this interdependence that we are all jointly responsible for the economic and social development of each and every one.

- 3rd observation: notwithstanding the efforts deployed and the progress made in the course of one and a half decades of international development co-operation, the disparity between the developed countries and the developing countries has not been reduced as a whole, as H.E. President MARCOS has indeed just mentioned. The disparity has even worsened in many cases, even if some countries managed to pass beyond the stage of economic take-off at a time when aspirations towards improvement were rapidly spreading worldwide.

These observations, very briefly outlined, suggest that we must go beyond the present situation and that this cannot be done by falling back on concepts which in my view, irrevocably belong to the past. The movement towards a juster and more equitable economic order is now under way. I here repeat the will of the European Community fully to assume the responsibilities devolving upon it in this evolution, in the same way, indeed, as it has done in the past.

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4. UNCTAD meetings traditionally provide an opportunity to take stock of the efforts made by the International Community to encourage development. We all know that needs are enormous and the efforts made up to now not sufficient. I will therefore not fall into the trap of self-satisfaction. The Community nevertheless feels that it need not be ashamed of the action it has taken in previous years in the face of particularly difficult economic circumstances, as everyone knows.

The problem of development -- which is now recognized to be a major factor in international economic relations -- occupies an essential position in our external relations. The Community, throughout the past four years and also since its enlargement, has endeavoured to further, extend and enrich operations which have been continuing since it was set up. As I look about me in this hall, I am struck by the thought that at the present time the Community has contractual relations or is conducting negotiations with almost all the Third World representatives present at this conference.

Our policy involves regional operations and operations on a world-wide scale. These various operations complement one another and fit into an overall approach which attempts to supply a concrete response to the changing circumstances of our time. Although this policy is still incomplete, we believe that it introduces innovations in many respects.

5. The best expression of this approach to date is undeniably to be found in the Lomé Convention to which President MARCOS referred a few moments ago.

There is no better way to reflect its spirit than by quoting its preamble:

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"The aim of the Convention is "to establish a new model for relations between developed and developing States, compatible with the aspirations of the international community towards a more just and balanced economic order"."

This Convention, which concerns more than 500 million human beings, is unique in the history of international economic relations. It introduces a varied range of instruments to deal with the diverse situations of our partners, eighteen of whom are moreover among the world's twenty-five poorest countries.

Some of these instruments are, in particular, innovations, including:

- the commercial aspect, which is based on non-reciprocity and ensures duty-free entry for 99.5% of our partners' exports;
- a mechanism for stabilizing export earnings from raw materials is provided for to help protect the development process from the hazards of price and production fluctuations;
- financial and technical co-operation amounting to more than 4,000 million dollars, which probably makes the Community, for most ACP States, the most important and also the most advantageous source of aid;
- industrial co-operation aimed at an improved division of work between industrialized and developing countries,
- the institutional provisions which bring directly into presence the legitimate representatives of our political forces.

6. Under its overall Mediterranean approach, the Community has joined, or is in the course of putting into contractual forms, marked by civilization and cooperation, the links which have united it for a long time with practically all the countries of the Mediterranean area.

With regard to that region we are following a course of action whose main features are:

- on the one hand, its open nature: it relates to all the countries of that region without exception;
- on the other hand, its balanced nature: the content of the Agreements is suited to the development situation of the different countries so as not to favour one at the expense of others, taking into account the particular situation of its economy.

These Agreements, conceived as instruments for co-operation, introduce, as does the Lomé Convention, a range of methods which, although less complete, aim towards the same objectives.

A few days ago, I had the privilege of signing the new Agreements with these countries, on behalf of the Community, in the capitals of the Maghreb countries. I would like to express the hope that we will also be able, in the near future, to sign Agreements of the same kind with the Machrek countries, which would complete our network of Agreements with the Mediterranean region. What is more, the Council of Ministers of the Nine which I had the privilege of presiding before my arrival in Nairobi has just approved the broad outlines of what we will propose to our partners in that region regarding financial co-operation.

7. We are also placing great expectations in the Euro-Arab dialogue. In about two weeks, hence while the UNCTAD proceedings are still going on, the capital of my country will have the privilege of welcoming the first meeting of the General Comity which should make it possible really to set in motion collaboration such as we hope will set an example and be mutually profitable.
8. Let me now come to our world-wide action programme, and firstly to its commercial aspect. Is it remembered that the idea of giving preference to manufactured products was launched in March 1963 at a GATT Ministerial meeting by the

Ministers of the Community and of the African States and Madagascar which were associated with it at that time, in the framework of the Yaoundé Convention? We were the first, in 1971, to implement a generalized preferences scheme; we were also the first to undertake to continue this scheme beyond 1980. A range of non-preferential Agreements which we signed with various countries of Latin-America and Asia should be added to this. We have also just introduced a scheme for technical assistance in trade promotion.

I will limit myself to citing one figure to illustrate the effort made by the Community in the field of access to the market, namely 86 % of imports from developing countries enter the territory of the Community free of customs duties (this figure is reduced to 65 % if one excludes crude oil).

As regards financial co-operation, we have, since 1968, implemented a food aid programme which has been considerably extended in recent years, both in volume and in the range of products supplied and as regards the recipient countries, 80 % of which are outside the geographic area covered by the Lomé Convention. This programme increased from 39 million UA in 1970 to 300 million UA in 1976.

New schemes have been under development since 1974. The Community contributed 292 million dollars to the United Nations emergency operation, about 70 % of which was distributed to non-associated countries of Asia and Latin America. Taking into account bilateral aid on the part of the Member States, the total Community contribution amounted to approximately 700 million dollars, in other words considerably above that originally promised.

Lastly, I would like to mention another very recent development: as you know, the Community has confirmed the principle of financial and technical aid to developing countries not associated with it. An appropriation of some 25 million dollars has been entered in the Community budget the use of which has still to be determined by the competent Community bodies.

In brief, financial aid supplied by the Community as such to the Third World has thus practically quadrupled since the beginning of the 70s, that is to say in five years. Taking into account contributions made by the Member States on a bilateral basis and their participation in multilateral organizations, the Community has become the main source of aid for the Third World. You will understand why I said not long ago that the Community thought it need not be ashamed of its action, even if it is still incomplete.

9. In concluding this brief survey of our operations, I would like to point out one of the lessons we have drawn from our experience, which is now quite long, of co-operation with the developing countries. This experience has shown that different stages of underdevelopment must be met by different types of action or combinations of actions. No one can deny, in the light of the realities which we have to face today, that the diversity of stages of underdevelopment, and hence of needs, is more pronounced than ever. The aim which we are pursuing is therefore the progressive implementation of a policy which enables a series of instruments to be applied consistently and allows these instruments to be applied differently according to the various situations in the developing countries.

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10. This brief outline also indicates, I believe, the concern of the Community over the problem itself of underdevelopment, its unremitting efforts to find a solution to it and its openness to all new ideas, as well as the realism of its action. We have always preferred ideas which are immediately practicable (though we readily acknowledge that they are still only partial, and therefore incomplete) to solutions which may admittedly be ideal theoretically but could be put into practice only the medium or long-term.

11. This same approach will inspire us during the present session of UNCTAD and I want to stress this. We must during these four weeks endeavour to hold an open debate to embark upon a negotiation of what is possible and so arrive at concrete results. It is thus and thus only that we shall be able to make fresh progress towards our common goals. To try and pretend that everything can be changed in one day would be to play into the hands of those who want nothing to change.

As President of the 30th General Assembly I myself cannot fail to emphasize the prime role that UNCTAD is called upon to play in the attainment of these objectives. The Community recognizes UNCTAD as being an essential forum in which to deal with problems arising in relations between developing countries and industrialized countries. It is of the essence to combine the efforts made in various bodies to attain now the objectives agreed at the United Nations 7th extraordinary session.

Allow me to take this opportunity to tell you how we conceive the relationship between our proceedings and those of the Conference on International Economic Co-operation currently taking place in Paris.

These two proceedings are quite clearly complementary, because the Paris Conference is dealing with a good number of issues which are also on the agenda of the Conference of Nairobi. The proceedings of these two bodies should therefore back up and complement one another.

The Paris dialogue, we consider, got off to a good start, in a propitious climate. The action undertaken personally by President PEREZ-GUERERO, the former UNCTAD Secretary-General, has contributed to this in large measure, and I wish to pay all due tribute to him here.

We are clearly aware of some impatience among our partners of the 19 countries. But it must be borne in mind that this dialogue is still at an early stage: indeed, only three sessions have been held so far. Let us not however underestimate the outcome. Considering the matter objectively, I have the feeling that in the case of some problems some identity of view is already taking shape.

I also wonder, personally, if the moment is not coming for the four Commissions to go on to a more selective phase, to try and make more concrete progress with the solutions to a certain number of problems of concern to each one of us.

At any rate, I wish to confirm to you the political will of the Community so to act that this Conference, which is moreover due to the initiative of the Head of State of one of its Member States, President Valéry Giscard d'ESTAING, will arrive at a fruitful outcome.

12. I will return now to what I said some moments ago about a debate without ruling anything out, hence an objective debate.

This, I consider, first means that we are prepared to discuss any idea regardless of who puts it forward. In this connection, we have taken note with the greatest interest of the declaration and programme of action adopted in Manila by the Group of 77, which certainly made formed an important contribution to our debates. The same applies to the extremely well-documented reports prepared by our Secretary-General, Mr Gamani COREA, to whose indefatigable action I wish to pay very special tribute. We will also be open to the contributions which all the other

parties to this Conference will bring to it, and we shall endeavour in our turn to make a positive contribution to the proceedings throughout these weeks.

An objective debate means that we must also acknowledge and accept our differences in outlook, understand each one's difficulties and be aware that in the present circumstances we must all face up to certain difficulties and envisage some compromises.

We believe it is in this way that we can really make further progress towards our common goals.

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13. I should now like to try to outline for you the general approach of the Community to some of the issues on the agenda for our proceedings. We naturally intend to make a more detailed contribution throughout the discussions. It would not surprise me if, in the course of the discussions, some of my colleagues of the Nine were to raise ideas going beyond what I am going to tell you. This seems all right to me. The Council meeting which I chaired in Brussels shortly before my arrival in Nairobi left it to our delegations on the spot to continue giving thought to certain matters. It is up to me to talk to you about the position which we have in common at this stage, just as the time will come for me to tell you very frankly, in certain cases, about the existence of certain differences of view which still exist between us.

14. I shall start with the policy concerning commodities, which was given priority during the work in preparation for this Conference.

We base ourselves on the position adopted in Geneva by Group B. Although this position does not include the questions of indexing or of the common fund, it does form a framework in which substantial improvements can be obtained, in a reasonable space of time, in the field of market structures.

A number of additional proposals may easily be fitted into this framework.

I wish in particular to underline the following:

- we have undertaken to find appropriate solutions to the problems of commodity markets and improvements in the structures of the markets. We must accordingly seek more stable conditions in the marketing of commodities, both as regards quantities and prices, and measures adequate for this purpose.

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- we are therefore bound by the principle that agreements and arrangements covering commodities should include price review clauses and allow for the fixing of prices in the light of changing economic circumstances. This includes changes in the pattern of rising costs, profits and prices of manufactured products. -

- it is our intention to put these commitments into practice by means of the parallel examination of a range of commodities, over a given space of time, with a view to finding the most appropriate solutions.

- but we believe that very special attention must also be given to the question of investments. Investments continue to be the necessary basis for economic growth and the diversification of all our economies. We must accordingly seek mutually acceptable conditions in order to improve investment prospects.

- as for the stabilization of export earnings, we are prepared to examine what facilities on a world scale might prove necessary in the light of the use to which the Trust Fund of the IMF will be put.

- finally, on the question of the common fund. I will not conceal that at the present stage differences still exist between the Community delegations and that we continue to give thought to the matter. A majority of us consider that the common fund problem must be dealt with separately from matters to do with the raising of the financial means. It considers however that before replying to the UNCTAD Secretariat's proposals, studies should be undertaken on whether it would be opportune subsequently to bring together under a single arrangement such financial provisions as there may be in the agreements to be concluded.

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15. The second major topic which I wish to broach concerns trade and manufactures and semi-finished products.

Trade plays an essential role in the growth and development of the developing countries. Increased trade is one source of earnings for development and a factor of diversification of the economy. The Community whose share in the trade of the developing countries amounts to close on 40 %, bears a special responsibility in this sphere and is ready to face up to it.

The multilateral trade negotiations which have been going on in Geneva since the beginning of the year constitute without question one of the most suitable contexts in which to make progress in the fairly near future along the lines desired by the developing countries for all the problems to which they have referred with regard to access to the market. The Community and its Member States intend to remain completely faithful to the Tokyo declaration laying down a set of guiding principles for these negotiations. I recall in this context that the Community recently put forward its offers for tropical products - acknowledged as being a priority sector - with a view to putting these concessions into practice as from 1 January 1977.

As for the more special problem of manufactured products, it is essentially in the context of the generalized preferences system that we shall endeavour to resolve this problem. This system should continue to be improved in the light of the relevant provisions in the resolution of the United Nations 7th extraordinary session.

Finally, we confirm our will to respect the principle of the status quo, in keeping with the undertakings which we have made, as have the other industrialized countries, to UNCTAD, to the United Nations and to the OECD.

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16. I am now coming to the area of transfer of resources.

We are aware of the very substantial financial needs of the developing countries, which will probably go on increasing considerably over the years to come.

During a recent Council meeting, in April, the Member States of the Community confirmed increase in their Official Development Assistance. They will attempt to reach the target of 0,7 % of GNP set in the International Strategy for the Second Decade as soon as possible, having in mind the agreement in the form in which it was reached at the seventh Special Session of the United Nations General Assembly on attaining this target between now and the end of the Second Decade. To this end, the efforts made by the Member States will be proportionately greater where they are further from reaching that target.

One Member State attained this target in 1975. Certain Member States have undertaken to reach it before the end of the Decade. Others may require more time.

All the Member States of the Community will, however, attempt, as far as possible, to prevent the volume of Official Development Assistance being affected in future by budgetary difficulties or balance of payments problems.

I should like to add one remark: the needs of the developing countries have assumed such proportions that, irrespective of their economic and political system, it is indispensable that all countries which are in a position to do so - traditional donors, present-day donors and potential donors - should in a spirit of international solidarity bend all their efforts to help the developing countries which are in greatest need of their help.

I come now to the problem of indebtedness. First of all, I wish to lay stress on the primordial importance of a consistent and effective preventive approach to the debt problem, based:

- where the creditor countries are concerned, on an appropriate policy concerning the volume and terms of aid, liberalization of trade and trade promotion, and
- where the debtor countries are concerned, on a sound external debt management, in which we could render assistance, if so desired, particularly in the form of technical aid in the setting up and operation of effective systems for recording and controlling the debt, especially in the private sector.

Now as regards remedial measures, I will not conceal from you that there are still some slight differences of opinion among us. The countries concerned know that the Member States of the Community in the past have always been prepared, in the framework of existing machinery, to examine case by case the problems arising and to seek appropriate solutions jointly with the debtor.

We consider that, as the debt problem arises in the case of each country, in a context peculiar to itself, the search for solutions must make allowance for this particular feature, and we accordingly feel that it is at the level of special cases that these problems must continue to be considered, but without overlooking the general context in which they arise.

Our delegations consider in general that the instruments existing in this area have proved their worth. Preservation of the existing instruments would go hand in hand with the will to use them liberally in all deserving cases. Furthermore, I stress, consideration could be given to how access to these instruments could be facilitated even more.

There are also serious doubts among us as to the utility of convening a conference on indebtedness.

I am aware that the position of the great majority of our Member States, as I have just explained it to you, does not tally in all points with that of most of the developing countries. However, I cannot but emphasize that our approach does not in the least cast doubts on the serious nature of the problem of indebtedness, or on our determination to deal with the problem with all the understanding that it deserves and with all the openness of mind required at the opening of a negotiation. Indeed, where our views differ is not on the need to find a solution to the problem but on the method, even some of the means, for arriving at this.

17. The fourth issue which I shall consider is that of the transfer of technology.

In the view of the Community, the key problem of co-operation with the developing countries on this is to boost these countries' technological capacities.

To us it seems that to remedy this situation is the most suitable way in which to promote the transfer of technical know-how to the developing countries, in the long run. At the same time, however, it behoves us to improve and facilitate the developing countries' access to the industrialized countries' technology, without discrimination and on terms as favourable as possible. Although in this respect the courses of action open to the public authorities are subject to certain limitations due to the fact that in market economy countries the bulk of applied technology is invented and developed by individuals and firms, and hence protected by ownership rights. As you are aware, we consider that the transfer of technology to the developing countries on a larger scale does nevertheless call for commitments to this end on the part of the public authorities, both those in the industrialized countries and those in the developing countries.

Such measures must be complemented by the setting up of international structures designed to promote the transfer of technical know-how to the developing countries.

The Community is prepared to examine in conjunction with the developing countries and the international organizations most closely concerned what specific steps could be taken to follow up the resolutions of the 7th special session and the 30th ordinary session of the United Nations General Assembly.

As for the third aspect of an international nature of the problem of the transfer of technical know-how, with particular reference to the code of conduct, the Community confirms that it accepts both the aim pursued by means of such a code, namely improvement of the conditions for the transfer of technologies, and the very concept of such a code. It is therefore prepared here again to go on conducting negotiations on the code in an open frame of mind and with the intention of actively applying it-self to the search for practical solutions.

However, the adoption of the present project of the developing countries in the form of a compulsory and binding code under international law not only seems impracticable to us, I say it frankly, in the market economy industrialized countries - and this precludes our acceptance of it in this form - but would also entail the risk of placing serious obstacles in the way of the transfer of technology to the developing countries, rather than fostering it; and this should surely not be the practical outcome of such a project.

On these grounds the Community advocates the introduction of a code defining lines of conduct which, in our view, would stand more chance of exerting in the long run a positive influence on technological transactions between the industrialized countries and the developing countries. It would regret it if in any future work on the code the accent were too exclusively placed on the legal nature thereof instead of preponderantly on the substance of the rules to be defined.

18. One last item, a particularly important one on the agenda, concerning an issue which I personally have very much at heart, is that of the least developed among developing countries on this earth. In our view, countries falling within this category, once they are defined, merit particular solicitude on the part of the international community at large.

Thus, the Community considers that these are the countries which should preferentially benefit from increased aid on the best possible terms; it is for their benefit that the idea of according them a privileged system of trade should be made to gain ground; it is of the essence to agree among ourselves, in the light of their specific needs, on measures designed to do away with market instability affecting certain raw materials, which sometimes hit them hardest.

Not wishing to exceed the speaking time allotted to me, I do not propose to dwell on the other agenda items, but this does not mean that we disregard their importance. Our position will be made known to you in the course of the debates.

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Mr Chairman, allow me to conclude with a paradox. Nine European countries, among those most steeped in history, are addressing this Conference through the Representative of the smallest of them. This surely amply demonstrates that relationships in terms of power which still form the basic thinking of some people are disappearing in favour of an understanding between peoples who have the will to co-operate.

This is also a way of calling to mind that profound solidarity among the peoples represents the best, if not - and I stress this - the only chance for the future.

It is this feeling of solidarity, worldwide, which has at all times inspired the eagerness of the Community for dialogue of which I have endeavoured to give an account. Over and beyond the points of divergence - dare I call them technical? - between us and certain other delegations at this Conference, it is still this feeling of solidarity which is the guarantee of our open frame of mind in the negotiations which are shortly to start and which must succeed.

I fervently hope that this message, to which you have done me the honour of listening, will be heard with understanding.
