

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

Seventh session of the UN Conference on
Trade and Development
Geneva, 9-31 July 1987

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I. Introduction

1. The purpose of this paper is to outline the content of the UNCTAD VII agenda, to describe the current status and future programme of preparatory work for the Conference and to place the UNCTAD VII Conference in a broad political and economic context. The present communication does not seek to establish positions for the Community on the substantive items in the agenda since these will evolve over the coming months. It is however designed to draw attention to the issues which will be at stake.

II. Background to UNCTAD VII

2. UNCTAD VII will be a major event in the North/South context in 1987. The Conference should take advantage of UNCTAD's structure and mandate to look at international economic relationships in an integrated manner. It should provide an opportunity to strengthen North/South co-operation, and to stimulate South/South trade and financial linkages.
3. The timing of UNCTAD VII should also be seen in relation to the evolution of the Uruguay Round in GATT. There is an obvious need for UNCTAD to take proper account of the on-going GATT process, and to avoid any substantive overlap. The inter-relationship of financial flows to developing countries with trade patterns and the prospects for primary commodities has been stressed by a number of countries. These issues will present UNCTAD with the problem of defining the scope of its activities vis à vis other international institutions.
4. The general ambience has changed since UNCTAD VII in 1983, and particularly since UNCTAD IV in 1976. Global solutions are no longer likely to find extensive support in developed countries, not least since broader approaches such as the Integrated Programme for Commodities launched in 1976 (together with the

non-operational Common Fund), have not in general succeeded. The usefulness of a comprehensive policy framework is well understood, but it is conditioned on the need to tailor solutions to individual regional or country situations.

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5. As to the political background to UNCTAD VII, the U.S. Government voted against the adoption of the draft agenda for the conference. The negotiations on the agenda, described in Chapter III below, included strenuous efforts by the Community to secure U.S. support. The existence of U.S. opposition will enhance the need for a well co-ordinated Community position both before and during the Conference. The U.S. position will in addition obviously complicate Group B Co-ordination.
6. The outlook for the Conference is further clouded by the fact that UNCTAD is seen as being at a turning point as its rôle and effectiveness continue to be criticised in many quarters. There is enduring scepticism about its value as an effective international body, particularly among some western countries. It has also been caught up in some of the problems which have afflicted UNESCO, and to some extent FAO. The hostility of the U.S. Government has not noticeably moderated. In many senses UNCTAD VII is seen as being a last opportunity for UNCTAD to establish its credibility. UNCTAD VII will also take place at a time when the senior management of the UNCTAD Secretariat is still undergoing changes following the appointment of Mr K.K.S.Dadzie as Secretary General in February 1986, and other changes at a senior level.
7. In the past - and particularly at UNCTAD VI - UNCTAD was regarded as a body where strident initiatives were launched by the Group of Seventy Seven (G77 - now numbering 122 countries) and as a forum where issues were ventilated in a polemical manner. In other words it was used as a sounding board by the G77, perhaps in part out of frustration with what the Group saw as being a failure to achieve its objectives in other UN bodies. The impartiality of UNCTAD's Secretariat was also in question. Since then there have been signs, albeit erratic, that the G77 may no longer regard UNCTAD as being central to its objectives. Moreover the outcome of the UN Special Session on Africa in May 1986 saw a more balanced approach by the developing countries, with their recognition of the rôle which domestic policies had to play. It would however probably be wrong to adduce too much from this trend, since it may not be evident when dealing with the G77 as a whole.

III. UNCTAD VII - Outline of preparatory work undertaken

8. The Community has continued to work within Group B, (consisting mainly of OECD countries), although the impediments of the group system are keenly felt. The need for a total change in the approach to the UNCTAD VII agenda prompted Group B to take the initiative in the 33rd Trade and Development Board in March 1986 (33rd TDB) with a short position paper covering the issues which it felt should dominate the UNCTAD VII agenda. Past UNCTAD Conferences had seen a proliferation of agenda items, often covering contentious issues which were marginal to UNCTAD's main preoccupations. Group B therefore pressed for a limited agenda concentrating on those substantive areas which properly fell within UNCTAD's mandate. These concerned questions of growth and structural change, and their relationship with trade and development. The question of commodities was also woven into the Group B approach.

9. After several months of intense and difficult negotiation the UNCTAD VII agenda was agreed in October 1986. It did not fully meet the original objectives of Group B, but it was seen as being a substantial improvement on past agendas. The TDB resolution covering this agenda, together with undertakings which will govern the handling of the agenda, is attached as an annex to this paper.
10. In addition to negotiations at the 32nd and 33rd TDB in Geneva, there has been an ongoing process of consultation within Group B and the Community also in Geneva. These activities have been complemented in recent months by discussions on UNCTAD VII in the OECD N/S Group, which have been preceded by the usual preparatory work by the Council N/S Group in Brussels. In early November 1986 the OECD N/S Group reviewed an OECD staff paper entitled 'Towards shared policy perceptions for development' of which a revised version is to be used by Group B in discussions with the UNCTAD Secretary General. The purpose of this exercise is to try and influence the evolution of UNCTAD's documentation for the Conference.

IV. Short commentary on the UNCTAD VII agenda

11. Approval of the agenda was secured in the form of a package including the enabling Resolution, the basic agenda, a subordinated but integral series of 'understandings' and a number of key assurances given in oral form by UNCTAD's Secretary General.
12. The purpose of the introductory paragraph to item 8 on the agenda (overall theme) is to provide a conceptual and operational framework within which the substantive topics would be treated. It acknowledges the need to revitalise development, growth and international trade and sets out the broad methodology to be applied. It was Group B's view that an assessment of the current economic situation, and of the effects of structural change, was an essential point of departure. Group B also felt that the formulation of policies and measures to be applied to the main problem areas should logically derive from the foregoing assessment. The establishment of this link was negotiated with considerable difficulty.

13. As regards the topics featured in paragraphs 8 a) - d) of the main agenda, the following remarks may be pertinent at this stage:

- a) The central issue of resources for development was acknowledged by all groups throughout the agenda negotiations. The need for a searching analysis of all financial flows, whether official or private, was fully recognised. These preoccupations were seen in the context of serious problems in the debt management of many developing countries, and the impact which debt questions had on the development prospects of these countries. The changing pattern of financial flows will be carefully analysed, as well as the potential for generation of funding from domestic resources. There were serious differences of view concerning the inclusion of monetary questions, which derived from the preoccupation of several Group B countries that UNCTAD should not directly prescribe action in fields covered by the Bretton Woods institutions.
- b) The inclusion of commodities as a separate topic was worked out with considerable difficulty. The significant and continued decline in earnings from commodities has been explicitly recognised as a major problem in the Tokyo Summit Declaration and at the OECD ministerial meeting in April 1986. Opinion in some western countries on commodity issues has clearly been affected by the changing fortunes of petroleum products and tin, as well as by developments affecting cocoa and coffee. The need to stabilize the foreign exchange earning prospects for commodity-dependent countries is well understood, but the wisdom of an approach which involves active management of commodity markets is seriously disputed by several developed countries. There is now greater focus on stabilization of earnings rather than of prices, with attention being directed to measures such as diversification and improved production, marketing and distribution.
- c) International trade matters find a natural place in the Conference agenda, in view of UNCTAD's mandate in this domain. The discussion on international trade at UNCTAD VII will obviously be heavily influenced by the concurrent evolution of the Uruguay Round. It will be essential to guard against any tendency for UNCTAD VII to

prescribe remedies on substantive matters which are being handled in the GATT forum. The coincidence of timing will impose certain restraints on participants at UNCTAD VII, in order to avoid a duplication of activities on substantive matters.

The trading patterns of developing countries, and their impact on the growth and development prospects for many LDC's, have been clearly established. It has been open to question whether many developing countries have addressed themselves to trade policy questions with a full understanding of that relationship.

A central point of discussion will be the declared intent of achieving a more liberalised international trade regime, set against the continuing influence of protectionist tendencies. The G77 in particular may well use the occasion of UNCTAD VII to secure decisions designed to move the GATT process in their favour.

- d) The problems of the Least Developed Countries (LDCs) were included in the agenda against the wishes of the majority of Group B countries. The objections of Group B countries to the inclusion of these problems as a separate agenda item arose from the existence of a review mechanism for the Substantial New Plan of Action (SNPA) originally set up after the LDC's Conference in 1981. The mid-term review was successfully undertaken in 1985, and there was a keen feeling that the work of UNCTAD VII should not be distracted by a further review exercise on the SNPA. The problems of the LDC's will inevitably permeate the whole of the UNCTAD VII process, since they are directly related to the substantive matters covered by the Conference agenda.

14. As a compromise the rôle of the private sector in development was subsumed under the 'understandings' governing the agenda and in the undertakings given by UNCTAD's Secretary General (see Annex II and Mr Dadzie's second oral report). This action was a point of serious concern to the U.S., which had hoped to see the subject included in the main agenda. However there may be some merit in considering private sector activity in relation to the resources for development and to financing of trade flows.

V. Calendar

Future programme for UNCTAD VII preparatory work

15. The programme of action for the preparation of UNCTAD VII has now moved into a highly active phase, and a detailed calendar has been established for the period January - June 1987.

UNCTAD Secretariat preparation. The preparatory work by the UNCTAD Secretariat will have three main facets. These will consist of a substantial assessment document, the first draft of which was expected by end December 1986. The document will contain an analysis of the relevant economic factors and trends, as prescribed in the overall theme of the Conference. The final version of this document will be available in all official languages by late February 1987.

17. Secondly, the Secretary General of UNCTAD will prepare a shorter policy document giving his views on the kind of policies and measures which might be appropriate for review by UNCTAD VII. This presentation will have a prescriptive character, and is expected to bear a strong imprint of the Secretary General's own thinking. It is expected to be available by late March 1987.
18. A third aspect of UNCTAD VII's preparatory work will be the organisation of several seminars covering the main substantive items in the agenda. The purpose of the seminars is to provide an opportunity for substantive comment on different aspects of the agenda and thereby to contribute indirectly to the preparatory process. The various seminars will be undertaken between January-February 1987. These seminars are to be hosted by a number of member states of UNCTAD, including some Member States of the Community.
19. Preparations within the Community. The Commission anticipates that the Council UNCTAD Group, which was active during the preparations for UNCTAD VI, will shortly be reconstituted. As in the past, it would be the main vehicle for the review of proposed Community positions on UNCTAD VII agenda items. In parallel, the UNCTAD Interservices working group has already been reconvened within the Commission. It will progressively review documentation prepared within the Commission for later submission to the Council.
20. The Commission intends to follow this introductory communication with position papers to the Council including papers on resources for development, commodities, international trade, the specific problems of the LLDC's, as well as general orientations for the Conference.

21. OECD N/S Group

The Community will continue to work within the OECD framework on UNCTAD VII, which is expected to dominate the activities of the N/S group in the next six months. A refined version of the earlier OECD paper on policy perceptions for development will be worked up for review in mid March 1987. A further substantive meeting of the N/S group will be held in May/June 1987 shortly before the Conference.

22. Concurrently, other substantive areas for UNCTAD VII will come under scrutiny in the OECD forum, using in particular the OECD High Level Group on Commodities and the OECD Trade Committee.

23. Activities of other Groups Other groups will naturally be active in preparing for the Conference. Special attention will be focussed on the activities of the G77 which is expected to follow a programme similar to that for UNCTAD VI in 1983. The G77 will hold a series of regional consultations, to be followed by a broader ministerial meeting which will probably be held in April 1987 (placed not yet settled). This meeting will no doubt establish the G77's policy stance for UNCTAD VII.

Consultations in Geneva

24. Throughout the preparatory period the established machinery in Geneva will be actively employed in the consultations regularly held between the UNCTAD Secretary General and the various Groups, supplemented by Group B and Community co-ordination. It is clearly important to ensure a proper interaction between the Geneva process, the consultations within OECD and the continuous elaboration of Community positions in Brussels.

VI. Conclusion

25. During the next six months, the Community will have to take a series of positions on the major substantive issues to be discussed at UNCTAD VII. This exercise will naturally be influenced by the output of regular meetings such as the Western Summit, the OECD Ministerial meeting and the Interim and Development Committees of the IMF. The Conference may also serve to establish UNCTAD's institutional position, provided of course that the output of UNCTAD VII is coherent and constructive.

VII. Recommendation

26. The Commission recommends that the Council take note of the draft agenda for the Conference and of the calendar of preparatory activities. It further recommends that appropriate action be taken by the Council to reconvene the former UNCTAD High-Level Group, so as to facilitate the preparatory process in the Community. It will also be necessary to ensure representation at the correct level at UNCTAD VII especially at the Ministerial phase referred to in the cover note to this communication.



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TRADE AND DEVELOPMENT BOARD
Thirty-third session
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Agenda item 5

SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT: PREPARATIONS FOR THE SESSION

Seventh session of the United Nations Conference on Trade and Development Provisional agenda, place, date and duration

Draft decision submitted by the President

The Trade and Development Board,

Recalling General Assembly resolution 1995 (XIX), section II, paragraph 2, and General Assembly resolution 40/189, and further recalling Board decisions 336 (XXXII) and 337 (XXXII), relating to preparations for the seventh session of the United Nations Conference on Trade and Development,

1. Adopts the provisional agenda for the seventh session of the United Nations Conference on Trade and Development annexed hereto (annex I) together with its understandings contained in annex II;
2. Recommends to the General Assembly that the seventh session of the Conference be held at its headquarters in Geneva for a duration of about three weeks between 6 and 31 July 1987, including a final phase of one week at which the work of the session would be concluded by Ministers;
3. Takes note of the desire of the Latin American Group to hold the eighth session of the Conference in one of the countries in Latin America on the understanding that the final decision on the venue in Latin America will be taken at the appropriate time. In this connection, the Board notes the interest of Cuba to host the eighth session of the Conference.
4. Recommends to the General Assembly to accord priority to the seventh session of the United Nations Conference on Trade and Development in relation to other United Nations activities in Geneva.

Annex I

PROVISIONAL AGENDA FOR THE SEVENTH SESSION OF THE
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

1. Opening of the Conference
2. Election of the President
3. Constitution of sessional bodies
4. Election of Vice-Presidents and the Rapporteur
5. Credentials of representatives to the Conference:
 - (a) Appointment of the Credentials Committee
 - (b) Report of the Credentials Committee
6. Adoption of the Agenda
7. General debate
8. Revitalizing development, growth and international trade, in a more predictable and supportive environment, through multilateral co-operation: Assessment of relevant economic trends and of global structural change, and appropriate formulation of policies and measures, addressing key issues in the following interrelated areas:
 - (a) Resources for development, including financial, and related monetary questions;
 - (b) Commodities;
 - (c) International trade;
 - (d) Problems of the least developed countries, bearing in mind the Substantial New Programme of Action for the 1980s for the Least Developed Countries.
9. Other business
10. Adoption of the report of the Conference to the General Assembly

Annex II

UNDERSTANDINGS

- I. In the assessment of relevant economic trends, due attention should be paid to the role of the private sector in development.

- II. The formulation relating to "a more predictable and supportive environment" is intended to subsume the interest expressed in referring to the need for security, dependability and confidence-building in the world economic environment, as well as for equity and justice in international economic relations.

- III. Monetary questions will be considered in the context of the mandate of UNCTAD and without prejudice to the competence of the International Monetary Fund and other international financial institutions.

- IV. Sub-item (c) -- "international trade" -- includes issues arising in trade relations among countries having different economic and social systems.

SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT:
PREPARATIONS FOR THE SESSION

Second oral report by the Secretary-General of UNCTAD
on his consultations pursuant to Board decisions 336 and 337 (XXXII)

1. On 10 September 1986, the Secretary-General of UNCTAD presented an oral report to the Board, at its 701st meeting, on the consultations held by him pursuant to Board decisions 336 (XXXII) and 337 (XXXII) concerning the provisional agenda, place, date and duration of the seventh session of the Conference and related organizational matters. (TD/B/L.810/Add.10, Annex) At the same meeting, the President called for further intensive consultations to take place with a view to reaching agreement on these matters by consensus at the resumption of the Board's session on 3 October 1986. (*ibid.*, paragraph 1)

(i) Provisional agenda for the seventh session
(Board decision 336 (XXXII))

2. The Secretary-General is pleased to report that the consultations undertaken since the 701st meeting of the Board on 10 September have resulted in a meeting of minds on the provisional agenda for the Conference which is reflected in the draft decision to be submitted shortly by the President.

3. It has been agreed in the consultations that, before the President submits his proposal for the approval of the Board, this oral report should clarify two points relating to the treatment of issues covered by the proposed provisional agenda.

- Treatment of national economic policies

4. The first point relates to the treatment of national economic policies. It is the Secretary-General's understanding that the participants in the consultations agreed that the assessment of relevant economic trends and global structural change, to be undertaken by the Conference in accordance with item 8 of the proposed provisional agenda, will take into account the role of national economic policies as may be relevant and appropriate. The Secretary-General can, therefore, confirm that the secretariat will address this national dimension in its documentation in support of that assessment and will be guided in doing so by the mandate assigned to UNCTAD by General Assembly resolution 1995 (XIX). The Secretary-General would also like to recall in this connection that the Agreed Conclusions of the Committee on Review and Appraisal of the Implementation of the International Development Strategy for the Third United Nations Development Decade, adopted in September 1985, stated that "continuing analysis is required... of the implications of different development policies".

- Treatment of the role of the private sector in development

5. The second point which the Secretary-General has been asked to clarify concerns the treatment of the role of the private sector in development, which is referred to in the first "understanding" in Annex II of the President's proposal. In this context, it is understood that it is the right of each country to choose its own economic and social system.

(ii) Organizational aspects of the seventh session and of the preparatory process
(Board decision 336 (XXXII))

6. The Secretary-General believes that there is need for further consultations before firm decisions can be reached concerning the organization of the preparatory process leading to the seventh session of the Conference and the organization of the session itself, including the number, structure and functions of sessional bodies of the Conference. The Secretary-General wishes to recall, in this connection, the parameters for the preparatory process for the seventh session, indicated in his previous oral report to the Board (TD/B/L.810/Add.10, Annex, paragraph 6).

(iii) Place, date and duration of the seventh session
(Board decision 337 (XXXII))

7. Operative paragraph 3 of the draft decision to be submitted by the President contains a recommendation to the General Assembly concerning the place, date and duration of the seventh session. The Secretary-General wishes to record that, in discussing this recommendation, participants in the consultations took account of concerns expressed about the possible overlap in time and place of the seventh session of the Conference and the 1987 summer session of the Economic and Social Council.