

COMMISSION OF THE EUROPEAN COMMUNITIES

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PREPARATION FOR THE U.N. CONFERENCE

ON TRADE AND DEVELOPMENT

Nairobi, 5th - 28th May 1976

(Communication from the Commission to the Council)

COM(76) 139 final.

1. The Community now has to decide its position for the forthcoming UNCTAD meeting in Nairobi. In its communication COM(76)39 and in working documents the Commission outlined the contents of the Community position for the meeting of the UNCTAD Trade and Development Board of March 8-21, 1976, which prepared the Nairobi Conference. The present communication takes account of the TDB meeting just completed in Geneva, of work meanwhile in the CIEC and sets out the area and scope of decisions to be taken by the Community to enable the necessary success to be achieved in Nairobi.

I. DIALOGUE AND UNCTAD

2. Currently, the Community is engaged in a crucial phase of debates with its partners in the industrialised countries and with the developing countries on the problems of trade and economic development. Examination of the various issues posed is being conducted in the MTN, the CIEC and in UNCTAD. Discussions in all three fora are largely inter-related - this is particularly the case of the CIEC and UNCTAD. It is generally agreed that the role of the CIEC is to place international economic relations in the context of cooperation and of economic interdependence between developed and developing countries and against this background to stimulate specific action in the various international fora which already exist. Discussions in the CIEC and in these fora - of which UNCTAD is one of the most important - are inter-related not because one takes the place of the other, but because they are different roads to the same objectives. It follows that a setback at UNCTAD could not but have a harmful effect on the CIEC. In establishing its position for Nairobi, therefore, the Community must bear in mind the general importance of the position it adopts.

3. More specifically there needs to be a link in the timing of decisions. UNCTAD IV begins on 5th May. But the next round of meetings of the CIEC commissions begin on 21st April. It is essential that at least in some areas the position that the Community is to take at Nairobi be foreshadowed if and as appropriate by Community spokesmen at the April round of the CIEC. To this end the Council should give its general approval as soon as possible to the orientations in this paper so that the Community can take account of these in the April round of the CIEC while the more detailed work necessary to draw up the final position for Nairobi can be conducted against the deadline of the Council of 3-4 May.

II. BACKGROUND: RESULTS OF MEETING OF TRADE AND DEVELOPMENT BOARD

4. In its communication COM(76)39 the Commission submitted a number of broad ideas on the major Agenda item which, subject to certain reservations on the part of Member States (set out in S/359) were adopted for guidance at the Trade and Development Board (TDB).

5. The results of the Board were disappointing but predictable: the Group of 77 adhered closely to their Manila texts. The UNCTAD Secretariat's idea of "pre-negotiation" was not realised. Furthermore the Community did not find it possible to sustain its unity on the question of the financing of buffer stocks: there was a separate Netherlands statement.

6. From the Community point of view, however, there was some positive features in the meeting of the Board:

- (i) the Community succeeded in working effectively with and through the Group B system;
- (ii) in certain areas (e.g. transfer of technology) there was some rapprochement of views, whilst in others the Group of 77 made their views clearer;
- (iii) largely thanks to the Community Group B was able to table an improved and more complete paper on commodities.

In addition clarification on a number of administrative matters was obtained.

III. UNCTAD IV AGENDA AND ORGANISATION

7. The Conference will formally open on Wednesday, 5th May and formal declarations will begin on Thursday, 6th May. It is expected that both the Presidency and the Commission will address the Conference during this early stage.

8. The Conference will be administered by a Bureau; its work programme will be organised by a General Commission of 35; and there will be 5 Working Groups. The details, so far as presently known, are set out in Annex 2.

9. The Community as such participates in the Conference as an observer. It must continue to work through the Group system as far as possible, and steps have been taken to ensure Group B consultation both before the Conference, (notably by way of working groups in Geneva and through a meeting of OECD's Ad hoc Group in Paris from 12th to 15th April, and at the Conference itself). Nevertheless, the Community may find it necessary to assert its identity as such if Group B agreement on important issues, e.g. commodities, cannot be sustained.

10. It will be important for Group B, and within Group B, for the Community, to secure one of the two or three central co-ordinating posts (President of the Conference and President and Rapporteur of the General Commission) and one or two of the posts of Chairman and Rapporteur of the Working Groups.

IV. MAJOR ISSUES

11. The Conference Agenda is set out at Annex 3.

12. The Group of 77 can be expected to continue pressure for a larger role for UNCTAD in all areas; they will probably specify the questions of export earnings stabilisation (cf IMF and the multilateral trade negotiations). But the major items for negotiation still seem likely to be (i) commodity agreements, and (ii) debt. The transfer of technology will be important and demands for special measures for the least developed, island and land-locked countries will figure large.

13. Insofar as commodities are concerned Group B circulated a document to the Board which falls considerably short of the demands of the Group of 77 (e.g. especially on financing) but nevertheless constitutes an important step forward. There is broad agreement on:

- the need to improve market structures;
- the need to stabilise prices at levels which are remunerative and fair;
- the need to review the situation on export earnings stabilisation;
- the need to improve access to markets;
- the need for complementary help for diversification, etc.

The Group B text also goes a significant step forward in its commitment to parallel consumer/producer discussions over a range of commodities designed to lead to the preparation of draft proposals "for the consideration of governments and for use in negotiations".

14. The main problems that remain relate to the ambition of UNCTAD and of the Group of 77 to "restructure" rather than "improve" the functioning of commodity markets; to the proposal that the Common Fund should be established as a *préalable*; to the demands of the developing countries for commodity prices to be "supported" in real terms in the light of inflation (in effect to be indexed); and to the more far reaching, less selective forms of export earnings stabilisation which the Group of 77 seek. It will be necessary for the Community to take a clearer stand on financing: the Commission propose that it should do this by accepting the principle of joint consumer/producer financing.

15. The papers already brought forward on commodities and the discussions that have taken place on them indicate that the Community should be able to secure agreement on the elements of an overall programme which goes some way towards meeting the Group of 77 demands. The Commission proposes that this programme should include a more precise timetable, a list of priority products, an indication of the measures to be applied to these products, a formulation on finance, and the elements of an agreed declaration on overall commodity objectives.

16. Insofar as manufactures are concerned, the Community has already adopted a positive position on preferences (GSP) and will be circulating proposals that reflect this position to its Group B partners. The tabling of the Community's offer on tropical agricultural products (hitherto blocked on tobacco, oils, and cocoa and coffee products) would be particularly helpful in persuading the Group of 77 that the Community are serious in the professions that we have made in the MTN. The Community has also put forward constructive proposals in the Tariff Group (which met on 23/5 March) on special treatment for developing countries. The more that the Community and its Group B partners can demonstrate in these and other ways that the door is open for forward steps to be taken, the more it will be possible to resist the aspirations of the Group of 77 to try to insert UNCTAD into the negotiating process.

17. The Services of the Commission have put forward certain ideas on industrial co-operation which will be discussed within the CIEC in April. The question of transnational corporations will not be discussed in the CIEC before June; and the Community's ideas on this subject require further thought.

18. On the transfer of real resources and on debt the meeting of the Board produced very little progress: Group D continued to refuse to accept the same obligations as the OECD countries; and Group B as such did not make any progress towards meeting the Group of 77's demands on overall aid flows and terms. The Community has not yet reached a shared position on either the volume or terms of aid; and its performance on such issues as aid to non-associates, on food aid, and on the International Fund for Agricultural Development (IFAD) has fallen well short of its professions.

19. On balance of payments, the Group B - and Community view - is that the improvements in IMF compensatory financing that were announced in Kingston in January this year represent a positive step forwards: the IMF's Board of Governors will shortly be considering revised proposals for balance of payments assistance for the poorer developing countries financed from the Trust Fund. The Community has already indicated in the CIEC that it will be prepared to consider additional measures if development prospects, notably of the poorer developing countries remain prejudiced.

20. The main thrust of l.d.c. demands at the Board related to the problem of debt: they seek cancellation of official debt for some categories of developing countries and waivers or postponement of service payments for others, the rescheduling of commercial debt, and a debt conference to take action on the debt situation. Maintenance of the credit worthiness of the major trading countries among the Group of 77 is important to Western interests. The Commission proposes (i) that the Community should agree to the Conference, at Nairobi, (ii) that an appropriate set of preventive policy measures be elaborated (including an "early warning system"), and (iii) that a set of guidelines be developed to improve the functioning of the case by case approach to indebtedness with particular attention to the poorest countries. The Commission is convinced that agreement, at least to the principle of such guidelines will be necessary part of any Community position; these guidelines should include the possibility, amongst others, of treating similar cases at the same time, in a similar way - including the possibility of modifying the terms of aid for poorer l.d.c.s.

21. On the transfer of technology the Group of 77 showed signs of pressing less hard for UNCTAD action on the reform of patent law (currently under consideration in WIPO). The Community has taken a positive line on strengthening the technological capacity of developing countries. The Commission proposes that the Community should, within Group B, seek to bring the Conference to a consensus on further work in this field. If this could be combined with agreement on the lines of a Code of Conduct (comprehensive but not binding), this might go some way towards satisfying several developing countries, notably in latin America.

22. The difficulty in respect of the least developed, island and land-locked countries is that there is a lack of clarity about the countries which should be eligible to benefit from special measures. The Commission has set out its views in the Franco, i.e. that the various instruments of

development should be matched to particular developing country situations, including concentration of aid, and the use of strictly selective trade measures for the least developed: but this view requires greater definition if it is to be effective as a basis for response at the Nairobi Conference and thereafter at the CIEC.

23. The Commission believes that the Community could, however, consider responding to some of the demands for particular measures for the land-locked and island countries which are based on their geographical locations, e.g. measures to improve communications.

24. Group B regard economic co-operation among the developing countries as broadly "their own affair", though there are some elements of the Manila demands which affect developed countries, e.g. facilitation of l.d.c. participation in projects on a sub-contractual basis. The position adopted by the Community and by Group B countries largely meets the two main Manila demands, i.e.:

- of avoiding measures that hinder l.d.c. co-operation; and
- adopting measures (e.g. in the Lomé Convention) to foster it.

The Community might suggest that these should be a matter for a regular exchange of views.

25. The question of East/South relations seem certain to assume a much larger importance at UNCTAD IV than previously: the Group of 77 invited the Group D countries to come forward with a specific response on the 1.0% aid target (USSR net flows currently are 0.05%), and has called on them to relax a number of restrictions inherent in the State trading system. Group B should openly contest the Socialist bloc view that they have no responsibility in matters of post-colonial development; and should wherever possible seek to throw the inadequacies of the Socialist bloc countries into relief by comparison with their own efforts.

26. On institutions the Secretary General of UNCTAD reiterated the ideas which he stated in New York; but no new elements were added at the Board. The Commission suggests that it should remain Community policy that UNCTAD should have a central role discussing development issues, notably commodities, in a way which does not infringe the managerial roles of existing international fora.

V. STRATEGY FOR NAIROBI

27. It is important to the Community that the Conference at Nairobi should have a reasonable measure of success:

- (i) UNCTAD remains in the long term the main forum in which the ensemble of development problems are discussed;
- (ii) both at and after the Nairobi Conference, discussions in UNCTAD will be closely linked to discussions in the CIEC.

28. The Community should continue to work as far as possible in the framework of Group B. The Community is nevertheless the only group which is organised and equipped to stimulate and to define positions within Group B and the OECD. It played an important part in achieving a Group B consensus on commodities at the Trade and Development Board. It must now try to broaden this role to cover the next steps on commodities and other issues on the Nairobi Agenda.

29. The Community's position must, to the maximum degree, be in conformity with the evolution of the Community's overall development policies: its response to the demands of the Group of 77 must be based on the actions which it has adopted and policies which it believes to be appropriate. They must also reflect its positions in the Dialogue, and constitute part of an overall strategy. This strategy will inevitably involve elements of political bargaining.

30. Insofar as the Group of 77 are concerned it is clear that there are many different and sometimes differing interests involved. The Latin American and more developed l.d.o.s may be more concerned with the problems of transfer of technology and of commercial debt, than with the integrated programme and with aid: the raw material producing countries are most interested in the maintenance of commodity prices and the stabilisation of export earnings, at real or indexed terms. Many of the poorer developed countries are most interested in a debt moratorium on official debt as well as in progress towards the 0.7% target.

31. The Commission accordingly recommend that the Community adopt a strategy based on the differential application of development instruments along the lines set out in the Fresco, in a manner which will provide the elements of a response, not only to the developing countries as such, but to its major component groups:

- for developing countries as such, improved market access and the adoption of guidelines on indebtedness (along the lines indicated in paragraph 20 above);
- for the raw material producers, agreement on a list of commodities, on a precise timetable, on the consumer/producer financing of costs arising within commodity agreements, and - for the poorer countries - export earnings stabilisation as appropriate;
- for the more advanced developing countries, agreement on measures to strengthen their technological capacity and on a comprehensive but not binding Code of Conduct; and
- for the poorer developing countries - in addition to the measures mentioned above - increased flows, improved distribution, and improved terms of aid, including such specific measures as may be agreed before or at the Conference. Special trade measures might also be considered.

32. The Council is invited to endorse these objectives and this broad, general strategy. It is essential for clear policy directives to be adopted now.

"VI. FURTHER WORK

33. Certain of the specific issues which figure on the UNCTAD Agenda will be the subject of further discussion within the CIEC during the latter part of April, e.g. industrial co-operation, debt, balance of payments problems, commodities. The Community's final position on these particular items will, therefore, depend upon discussions in Paris. Certain of the specifically developmental issues, e.g. debt are to be discussed by Development Ministers on 8th April.

34. The Council will have a final opportunity to review the general strategy for UNCTAD IV, in the light of discussions in the Dialogue, at its meeting of 3rd/4th May. At this meeting the draft of the opening Community declaration to be made in Nairobi (by the Presidency) will need to be adopted."

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ANNEX 1

C O N F E R E N C E P R O C E D U R E S A N D T I M E T A B L E

Inscription of Speakers

1. The Member States of the Conference will meet on 3rd and 4th May to determine administrative matters.
2. A Bureau of 35 Member States (including 10 from Group B) will be set up, to ensure the Conference organisation and deal with problems.
3. A single General Commission of all Member States will be established to consider the various points on the Agenda and report to the Conference. This will in turn establish a limited number of Committees and Working Groups (there will be interpretation and facilities for 6 to operate simultaneously at any one time).

Following on the three Working Groups established at the 7th Special Session of the TDB, the Group of 77 have proposed Conference Working Groups as follows:

TDB	Conference
1. Commodities; manufactures; and recent international trends in trade and debt	1. Commodities 2. Manufactures, recent international trade trends, and transfer of technology
2. Transfer of technology, and money and transfer of real resources	3. Recent international trends in the monetary fields, transfer of real resources, including debt 4. Least developed, landlocked and islands; and economic co-operation among l.d.c.s.
3. Other issues	5. Trade relations among countries with different economic and social systems; and institutional issues.

This structure is likely to be approved and these Working Groups can be expected to bring their work in the closing days of the General Declarations with which the Conference will begin.

4. The Conference timetable can therefore be expected to take the following lines:

Monday, 3rd May	Member States consideration of
Tuesday, 4th May	administrative matters
Wednesday, 5th May	<u>Opening of Conference</u> Regulation of Agenda Items 1 - 6; including adoption of Agenda
Thursday, 6th	<u>General Declarations</u>
Friday, 7th	6th - Luxembourg (EEC)
Monday, 10th	-- Denmark
Tuesday, 11th May	-- Netherlands
	-- France
	-- United Kingdom
	7th - Federal Republic of Germany
	10th - Italy
	-- [Ireland]
	-- [Belgium]
	11th - Commission (listed first) ^o
Wednesday, 12 to	<u>Working Groups</u>
Friday, 14;	[? as above]
Monday, 24 &	
Tuesday, 25 May	
Wednesday, 26th to	Working Group reports
Friday, 28th May	to General Commission;
	<u>Adoption of Resolution</u>
	<u>Closing Statements</u>

5. The Community's Nine Member States are all Members of the Conference and of its Trade and Development Board. The Community as such will enjoy the status of observer.

All Community Member States participate in the five main Committees save the following:

Committee on Commodities - Luxembourg

Committee on Manufactures - Luxembourg, Ireland

Committee on Invisibles and Financing related to Trade - Luxembourg
Ireland

Committee on Shipping - Luxembourg, Ireland

Committee on Transfer of Technology - Luxembourg, Ireland, Denmark.

ANNEX 2

C O N F E R E N C E A G E N D A

1. Opening in the Conference.
2. Election of the President.
3. Establishment of the General Commission.
4. Election of Vice-Presidents and Rapporteur.
5. Powers of representatives at the Conference:
 - (a) Establishment of the Commission on Verification of Powers;
 - (b) Report of the Commission on Verification of Powers.
6. Adoption of the Agenda.

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7. General Discussion. Statements by Heads of Delegations.

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8. Commodities

- Action on commodities, including decisions on an integrated programme, in the light of the need for change in the world commodity economy.

9. Manufactures and semi-manufactures

- Measures, including the elaboration of and decision on a comprehensive strategy to expand and diversify the export trade of the developing countries in manufactures and semi-manufactures, with a view to the attainment of the generally accepted goals for their accelerated industrial development.

10. Recent trends in international trade and development

- Review and evaluation of progress made in the multilateral trade negotiations and other actions and decisions taken at the international level;
- Review of developments in the international monetary field.

11. Money and finance and transfer of real resources for development

- Decisions on measures to alleviate the critical debt problems of many developing countries;
- Measures to increase net capital flows to developing countries to meet their long-term external financing needs;
- Measures to improve, on appropriate terms and conditions, the financial and monetary situation of developing countries, commensurate with their development needs and to facilitate and improve the financing of their exceptional deficits;
- Review of requirements for evolving an international monetary system that would foster development and world trade, having particular regard to the interests of the developing countries.

12. Transfer of technology

- Action to strengthen the technological capacity of developing countries;
- Decisions on a code of conduct for the transfer of technology and, in the light of those decisions, a decision on the modalities for its establishment;
- Action to be undertaken by UNCTAD with respect to the economic, commercial and development aspects of the international patent system in the context of on-going revision of that system.

13. Least developed among developing countries, developing island countries and developing land-locked countries

- Action on special measures in favour of these countries.

14. Economic co-operation among developing countries
 - Action to support, where appropriate, measures and initiatives taken by the developing countries to strengthen economic co-operation among themselves.
15. Trade relations among countries having different economic and social systems
 - Multilateral action for expanding the trade and economic relations between countries with different economic and social systems, in particular action which would contribute to the development of developing countries.
16. Institutional issues
 - Recommendations on the future role of UNCTAD, and decisions on future institutional arrangements within UNCTAD.
17. Other business.
18. Adoption of the report of the Board.