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REPORT OF THE ADMINISTRATIVE SECRETARY-GENERAL ON THE STATE OF NEGOTIATIONS ON A COMMON FUND UNDER THE INTEGRATED PROGRAMME FOR COMMODITIES UNDER THE AUSPICES OF UNCTAD

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I. INTRODUCTION

A good starting point for this report is the evolution of the Integrated Programme for Commodities (IPC). The IPC orginated from the Programme of Action on the establishment of a New International Economic Order (NIEO), which was adopted by the UN General Assembly (UNGA) at its Sixth Special Session held in New York, in May 1974. The sesssion called for an overall integrated programme for commodities of export interest to developing countries. Following this Special Session of UNGA, members of the Group of 77 have been raising the issue of the IPC at a number of fora especially at the 7th Special Session of the UNGA held in New York in September 1975, and even at the Conference on International Economic Co-operation (CIEC) or the so-called North-South Dialogue in Paris. The 4th Session of UNCTAD held in May 1976 in Nairobi, Kenya, had the question of the IPC as the number one item on its agenda.

2. The question of the IPC was also considered at ministerial level in Dakar in February 1975; in Algiers, November 1975; in Manila, Philippines, January/February 1976 and in Djakarta, Indonesia, January 1976. In Manila, the Ministerial Conference of the Group of 77 adopted a Programme of Action which called for the "establishment of a Common Fund for the financing of international stocks or other necessary measures within the framework of commodity arrangements".

3. The Fifth Conference of Heads of State and Government of the Non-aligned countries at Colombo in August 1976 decided that a meeting of plenipotentiaries on a Common Fund should take place in the event the UNCTAD Negotiating Conference on a Common Fund failed to yield satisfactory results by March 1977.

4. The 4th Session of UNCTAD in Nairobi adopted a detailed resolution which called for the negotiation of a Common Fund under the Integrated Programme for Commodities. Some countries participating at the Conference at Nairobi indicated their interest in the Common Fund. Twenty-five countries announced that they were ready to contribute to the Common Fund. These included nine members of OPEC, viz Algeira, Indonesia, Iran, Iraq, Kuwait, Nigeria, Saudi Arabia, United Arab Emirates, and Venezuela. Four developed countries were among those which expressed

readiness to contribute to the Common Fund (Finland, Netherlands, Norway and Sweden). Six countries made pledges in Nairobi which totalled $156 million dollars:

(a) India		$ 25 million
(b) Philippines		$ 50 million
(c) Yugoslavia		$ 30 million
(d) Norway		$ 25 million
(e) Indonesia		$ 25 million
(f) Kenya		$ 1 million
	TOTAL	$156 million

Indications were made to reduce the contribution of the poorest countries.

5. African Ministers of Trade held a Conference in Addis Ababa from 1 to 4 September 1976 in preparation for the Mexico City Conference on Economic Co-operation Among Developing Countries, and decided to adhere to the Integrated Programme for Commodities "in spite of the fact that it falls short of the aspirations of developing countries as expressed during the Manila Conference of the Group of 77". They further called upon UNCTAD members "to make specific commitments to contribute to the Common Fund before the commencement of the UNCTAD negotiations".

6. Together with other members of the Group of 77, African countries decided at the Mexico City Conference in September 1976, that "arrangements should be made for inviting all developing countries to give expression to their commitment by making specific pledges for the contributions to the Common Fund if possible before the commencement of the negotiations in UNCTAD".

7. Since its conception the idea of a Common Fund has undergone some changes. Originally it had been intended to act as a multi-commodity stocking agency and to intervene directly in commodity markets. Now it is conceived by developing countries as a central source of finance for independent commodity organizations which would use their knowledge and

experience of their own commodity trade to intervene appropriately in the commodity market. The Group of 77 proposed that the Common Fund should include the financing of appropriate measures other than stocking to be undertaken within the framework of commodity arrangements either alone or in addition to and in support of stocking activities.

II. THE PRESENT SITUATION

A. The purpose of the Common Fund

8. The developing countries have viewed the Common Fund as the main international measure in the Integrated Programme for Commodities which would provide them with an effective means for the realization of the overall objectives of that programme. The developing countries have sought to defend their interests as members of a community of raw material producers.

9. It was hoped that the purpose of the Common Fund would be to provide loans to individual commodity organizations for purchasing and stocking of commodities when their prices fell below an agreed level. The Fund would extend price support in surplus situations when the commodity market was in danger of collapsing or presented an economic danger to producers. The accumulated stocks would be sold when prices rose above an agreed level and would thus alleviate shortages which would adversely affect consumers. The individual commodity organisations would be expected to repay the loans to the Common Fund as soon as their stocks were sold.

10. Since the prices of different commodities do not move in the same direction at the same time, advantage would be gained if the finance for stocking was provided through a Common Fund rather than on a commodity-by-commodity basis. Unsynchronized commodity price movements would result from the commodity-by-commodity approach. The Fund, on the other hand, would facilitate intervention by the IPC to bring uncoordinated price fluctuations under control.

11. There has been considerable debate as to which commodities should be covered by the Common Fund. The UNCTAD Secretariat recommended that the Common Fund should finance 10 major commodities of interest to developing countries, such as cocoa, coffee, cotton, copper, hard fibres, jute, tea, tin, sugar and rubber.

12. In UNCTAD Resolution 93(IV) passed in Nairobi, it was decided that the commodity coverage of the Integrated Programme should encompass 18 commodities or groups of commodities, including the 10 previously suggested by the UNCTAD Secretariat. Added to the list were: bananas, bauxite, iron ore, manganese, meat, phosphates, tropical timber and vegetable oils including olive oil and oil seeds. There was however a proviso that others could be added to the list if and when international commodity arrangements were negotiated for them. <u>It is nevertheless clear that stocking for some of eight added commodities is well-nigh impossible.</u>

B. <u>AFRICAN TRADE IN THE 18 COMMODITIES IN 1972 - 1974</u>

13. The export value of the 18 commodities in the period 1972-1974 represented an average of $7.7 billion a year, while imports of the same 18 products amounted to an average of 1.2 billion a year in the same period. The value of the net exports (exports less imports) of these products was on the average US$6.5 billion a year in 1972-1974.

14. Noteworthy is the fact that African countries are net exporters of the following agricultural products: coffee, cocoa, cotton, vegetable oils and oil seeds, timber and hard fibres; and the following metal and metal ores: copper, iron ore and phosphates. Only a small number of African countries produce tea, natural rubber, meat or manganese and bauxite. However, their impact on world trade is not as important as that of the 11 commodities above.

C. FINANCIAL REQUIREMENTS AND SOURCES

15. The UNCTAD Secretariat suggested that the Common Fund would require, to start with, an estimated US$3 billion. At least US$1 billion f this would come from paid up capital and US$ 2 billion from loans. After a number of years an additional amount of US$ 1 billion in paid up capital and US$ 2 billion in borrowing may be required. This should come from governments, regional and international financial institutions and capital markets.

16. The first US$ 1 billion would come from subscriptions by members on the basis of a criterion agreed upon at a negotiating conference. The agreed formula would have to take into account potential benefits and the ability of members to contribute.

17. Three alternative suggestions were made by the UNCTAD Secretariat:

(a) Subscriptions of Member States based on agreed percentage of 50 : 50 or 40 : 60 between developed and developing countries, importing and exporting countries;

(b) A tripartite structure almost similar to that adopted by IFAD would be retained. In this case the exporting countries would contribute 37.5% of the subscribed capital; importing countries would subscribe an equal amount while the petroleum exporting countries would subscribe 25%. This would correspond to US$250 million of capital subscripiton by countries of OPEC in the first instalment of the capital. It could be said on the outset that the Group of 77 is unlikely to agree on this suggestion. Countries of the Latin-American region, which have reached a higher degree of economic development, would resist this suggestion for fear that the weight of subscription would fall on their shoulders. This would leave countries such as the LDCs with nothing to pay;

(c) It was also suggested by UNCTAD that subscription by individual countries could be agreed based on the benefit that each country would obtain from the Fund, as measured by the combined share of each country in the world exports and imports of commodities and the ability of each country to pay as measured by its GNP, its per capita GNP, and its holding of international reserves.

18. The fund for the buffer stock would be lent to autonomous producer-consumer agreements in cases of deficit and would be repaid in times of surplus with an interest of around 4% intended to profit the contributors, viz; the capital markets, multilateral institutions and governments, who would have made the loans available.

19. There would be a second account often referred to as "the second window", designed to finance wider and more long-term stablization measures crucial to stockable commodities and to handle overproduction problems often experienced in tea, jute etc.

20. Funds from "the second window" would finance such measures as improvement of production processes, market promotion, ajustment assistance for diversification schemes, etc. The account would be limited in the first place to some US$ 1 billion to US$ 1.5 billion, offering long-term concessionary loans to individual commodity agreements. Its financing would be separate from the main account, and would be dependent on government grants and concessionary loans from multilateral agencies.

Distribution of votes

21. The Group of 77 demanded that the decision-making process of the Common Fund should reflect the vital interest of the developing countries in the Integrated Programme for Commodities. As they see it, the role of the developing countries should, for example, be decisive. The developed countries, on the other hand, maintained that there should be equally shared roles.

22. Most members of the Group of 77 insisted on the principle of equality based on one state-one-vote; that would give the Group of 77 75% of the total strength of the Common Fund, with a minority contribution to the subscribed capital.

23. The distribution of votes should ensure that major importing countries from the developed countries do not dominate the Fund. It is noteworthy that the United States, West Germany and Japan account for an average of 28% of the combined value of world imports and exports of the 18 commodities mentioned under Resolution 93(IV). If these are given a free hand they could dominate the entire Fund.

24. <u>In the spirit of the New International Economic Order, attempts should be made to reverse the situation prevailing in the IBRD, where only 11% of the total votes are distributed on the basis of the principle of equality or in the IMF where there is a built-in voting mechanism built in favour of the developed countries.</u>

25. Some members of the 77 would be contented with votes allocated on the basis of the principle of proportionality. Among those members of the Group of 77 are countries which have the highest share of export of the 18 commodities named under Resolution 93(IV). These countries would rather subscribe significantly to the Fund than lose control over the decision-making process. These countries would resist domination either by the developed countries or by members of OPEC.

III. <u>STANDS OF THE DIFFERENT PRESSURE GROUPS</u>

<u>Position of the Group of 77 as a whole</u>

26. The Group of 77 as a whole believed that the Common Fund would benefit both the rich and the poor alike. They disapproved of the paternalism of Group B, respresenting the Western industrialized countries

and Japan over the poorest countries. Group B argued that the Common Fund, as envisaged by the Group of 77, would hit the poorest countries, especially those with GNP's per capita below US$ 200, because they were not importers of the 18 commodities. This argument by Group B was not supported by facts, as evidence shows that only five of the countries are not importers and none of these are African. Even then those that are not importers have a healthy balance-of-trade surplus in the 18 commodities. This could mean that they might benefit. The only commodity which is imported by these countries is sugar, but it could easily be met by an agreement that could stabilize its price.

27. The Group of 77 believed that the Common Fund could only spread its benefit if it was geared to financing more than just buffer stocks. They see the Common Fund as a comprehensive approach to commodities, and not just concerned with buffer stocking arrangements. An agreement on the Common Fund must be able to finance other measures. Some articles of agreement on the Common Fund should facilitate other financial measures agreed upon by both consumers and producers in individual commodity agreements. The individual commodity organisations and the Common Fund must be seen in terms of a lender-borrower relationship, which includes them both within the integrated Commodity Programme.

28. Some members of the Group of 77 were tempted by the USA policy of trying to negotiate a trade stabilization scheme. They believed that it was an advantage for the Common Fund and were reluctant on "the second window" arrangement.

29. The Group of 77 soon discovered that there was no political will on the part of some of the countries of Group B and Group D to decide on setting up a Common Fund, which would benefit both the developing and developed nations, although the Common Fund was likely to bring abour greater equity and rationality in the functioning of international commodity markets. The Group of 77 warned that failure to agree on a Common Fund would provoke unprecedented bitterness between the developed and developing nations.

30. The members of the Group of 77 detected at the Conference some inclination by some important members of Group B to apostatize from the political commitments that were made in Nairobi. The Group of 77 insisted that Resolution 93(IV) of Nairobi committed UNCTAD members to serious negotiations on the concrete elements of a Common Fund.

31. The Group of 77 remained united despite divisive activities of Group B. They reaffirmed their unanimous commitment to the establishment of a Common Fund as the main instrument for attaining the objectives of the IPC, which would function as a central source of finance for specific objectives and purposes. This position of the Group of 77 was supported by the Scandinavian countries, Belgium and the Netherlands as well as China.

32. On all these points, the Group of 77 remained united in their approach. As the debate continued, the positions of different continents within the Group of 77 crystallized into the Latin-America, African and Asian positions.

Latin-American position

33. The Latin-Americans, while going along with their colleagues in the Group of 77, took a more cautious approach on the question of the Common Fund than the other two regions of Asia and Africa. Some Latin-American countries saw the concept of "the second window" as agonising in the Common Fund. Two major industrial countries within the context of the Latin-American region preferred the Common Fund to concentrate its funtions on financing buffer stocks instead of adding a "second widow". One of these two believed that a source of funds should be set up which was limited in size and function, with a provision in the articles of agreement for financing other operations later. The country in question preferred that the "second window" idea should be dropped.

34. The majority of the Latin-American countries disagreed with the approach of the two powerful Latin-American countries. They believed that the Common Fund with a "second window" was vital if the Third World was to make a success of the New International Economic Order. The majority believed that the best way to correct the present international economic structure, which is based on the obsolete colonial past, was to adopt the Integrated Programme for Commodities and create a Common Fund as the main instrument for the implementation of the Programme. This could not be done without a "second window". The majority of the Latin-American countries, like their African and Asian counterparts, rejected the concept of compensatory financial arrangements proposed by Group B, because they believed that it would amount to accepting raw material devaluation and perpetuating unfair treatment.

African position

35. Throughout the proceedings of the Conference the African delegates suspected that the Western countries did not seriously think of a solution that would achieve price stablization. The Africans believed that, in order to establish a Common Fund, it was necessary to force both Group B and D to make a political commitment to that effect. They argued that they came to the Conference on a Common Fund, because they had believed that Resolution 93(IV) had already set up the Common Fund and that their coming to Geneva was purely to clinch the deal at the negotiating Conference. They let it be known to those who hesitated about establishing a Common Fund that the majority of the countries had agreed to this in Nairobi and were prepared to honour the Nairobi decision. The African Group believed that one way of getting out of the impasse was to force Groups B and D to get off the fence - by forcing them to make a decision which would ensure progress on all issues of NIEO, such as debt relief and industrialization. They thought the attitude of the countries of the West had vestiges of colonialism.

36. The African Group also thought that Group B posed difficulties on the Common Fund because Group B looked at the idea of a Common Fund from a wrong perspective. Group B believed, wrongly, that they would carry the financial burden of the Common Fund or that they would be involved in giving aid to the Third World. The Africans argued that in fact the Common Fund was meant to avoid just that. Contribution to the Fund should be based on the principle of GNP per capita weighted to take account of trade share in the commodity concerned. All Africa wished to see was stable commodity prices.

37. Africa also wanted to see a clear demonstration of a political will from Groups B and D countries to agree to a concept of a Common Fund as a source of finance. <u>Some African countries, however, believed that time had come for the countries of the Group of 77 to agree among themselves and implement the doctrine of self-reliance as agreed upon by the Heads of State and Government of the Non-Aligned nations in Colombo in August, 1976.</u>

<u>Asian position</u>

38. The Asian Group wanted a Common Fund which would provide money for buffer stocking as well as for helping producers to increase production and improve management of their produce.

39. The second account of the Fund would operate jointly with other aid institutions. At the same time the second account would help countries - Asian countries - which depend entirely on jute to diversify their export.

40. Some members of the Asian Group wanted attention to be given to the least developed countries and especially the land-locked ones. In order for the Fund to benefit the poorest countries, the Asian Group believed that it should cover the widest possible commodities with compensatory financing wherever feasible. They believed that, since the least developed countries would find difficulties in raising funds for subscriptions, they should be exempted from subscribing to the Fund. Exemption, however, should not affect the least developed nations' share of the Fund benefits, they comtended.

41. The Asian Group insisted on the importance of seeing the Common Fund as a comprehensive approach to commodities, and not just concerned with buffer stocking arrangements.

Position of Group B

42. There is a division between countries such as Holland, Belgium, Ireleand and Denmark, on the one hand, which support the creation of the Common Fund, and those, such as Britain and the Federal Republic of Germany, on the other hand, which are opposed. The latter are supported by Australia, New Zealand, Japan, Canada and the United States, which are outside the EEC.

43. The basic policy of the EEC is to establish a clearing house whose function would be to service a selected number of buffer stocks. Producers and consumers of the relevant commodities would provide the finance for these stocks. Surplus finance could be transferred from one stock to another. The EEC approach does, however, allow for limited market intervention, financial contribution from capital markets or even the need to incorporate a second account for diversification and other necessary measures.

44. The EEC members of Group B believe that the Common Fund cannot be useful as a price stabilizing mechanism. Instead, they believe that the widening of the Stabex system, now applied to the countries of the ACP under the Lome Convention, could help.

45. On the other hand, Group B viewed the possibility of using the International Monetary Fund (IMF's) Special Fund to finance buffer stocks. This would mean increasing Group B's contribution to the Special Fund and allowing the quotas levels for withdrawals to be raised from 50% to 75%. Group B would maintain their dominating role and thereby defeat the prupose of equal distribution of responsibility which is inherent in the Common Fund.

46. Group B fears that the IPC approach could easily cause the prices of the commodities to rise resulting in heavy cost to their countries, outweighing the benefits from stablization. In the Conference Group B argued paternalistically that the Common Fund arrangement could easily affect some of the least developed countries which suffer from acute balance of payments problems. Group B is joined by Group D in these fears. Anyway, the argument ignores the fact that the Common Fund is not aimed at raising prices and that there are only a negligible number of the least developed countries which are importers of the 18 commodities within the IPC, which might be affected in the unlikely event of the Common Fund causing inordinate commodity price rises.

47. Within Group B there are nuances dictated by national policies. In general the cleavage exists between the Netherlands, Belgium, Ireland, Denmark, on the one hand, and Britain and Germany and other Western countries outside the EEC, including Japan, on the other hand.

48. The differences between these two factions of Group B are on the emphasis and national approaches. Yet the Nordic countries, such as Sweden, Norway and Finland, go a long way towards agreeing with the Group of 77 without pre-conditions.

49. The national approach of West Germany is to reject the concept of the Common Fund out of hand, claiming that it interferes with the principle of free markets. In this policy, she gets unqualified support from the United States and Japan. On the other hand, Britain prefers the Kingston Agreement, which calls for the principle of agreements for the six or seven key commodities.

50. France plays it cool, hanging loosely between the concept of a Common Fund and that of the North-South Dialogue in Paris.

51. The original positions of Group B countries has shifted somewhat since the Conference on the Common Fund started on 7th March, 1977.

52. At their EEC meeting in Rome, two hardliners within Group B — Britain and West Germany — moved to a position which they believed to be a compromise, which in fact is far from meeting the Group of 77's approach. West Germany stated in Rome that she agreed with the concept of a Common Fund for commodity stablization if there should be capitalisation of the Fund by governments and that Group D countries must pay their share. She further stated that a fund must be seen as part of a wider package to pay their share.

53. After stating these two conditions, which are clearly far from meeting the demand of the Group of 77, that the Common Fund be a source of finance, the West German Government returned to the argument of widening the STABEX scheme for stabilizing the export earnings of the developing countries.

54. Britain stuck to her old idea of a commodity agreement for only six or seven commodities without providing for a second window or acting as a source of finance.

55. The immediate reaction of the United States was to reject the EEC Rome decision, claiming that she would rather go along with the idea of the Common Fund if it were brought within the World Bank. She thought that a "fourth window" would be created to finance commodity stabilization. The voting rights allocation of the capital of the Common Fund would take into account the demands of the Group of 77 at the Geneva Conference, the United States argued. Again, this was escaping the responsibility of accepting the changes which are entailed in the NIEO, from which the concept of the Common Fund was born.

56. Like Britain and West Germany in Rome, the United States created a false impression to the World. She stated on 10th March that she had accepted the principle of establishing a Common Fund. This announcement ended there. She immediately returned to the old idea of Group B, of insisting that individual commodity agreements be reached before consideration could be given to establishing the Common Fund and then only for buffer stocks. While she was making these arguments, she shared France's attitude of pinning hopes on an economic accommodation being reached in the North-South Dialogue in Paris between the OPEC and OECD countries, which was not in sight in any case.

57. It is obvious that the United States is concerned about the energy problem rather than stabilization of prices of 18 commodities. She went along with the British approach of negotiating individual commodity agreements and moved to the idea of a "second window" only at a later stage.

58. By accepting the concept of a Common Fund, even though not in the spirit of the Group of 77, the United States effectively killed the West German and Japanese theory that the Common Fund would interfere with "free market" mechanism, but it still splits buffer stocks from "the second window".

59. The United States believes in using the IMF Special Fund to finance buffer stocks, thereby keeping Control in the hands of the developed countries dominated by itself. The Group of 77 is unreservedly opposed to this idea, because it is tantamount to maintaining the status quo which has exploited the Third World for centuries.

The Scandinavian Approach

60. Unlike Belgium, Ireland and the Netherlands, who give an apologetic support to the idea of the Common Fund, for fear of offending the EEC partners, the Scandinavian countries, especially, Norway and Sweden, are clear and firm in their support of the position of the Group of 77. Norway stated that she supported the Common Fund as a central financing facility and a source of finance. Unlike the USA and the EEC, the Scandinavian countries see the importance of the second account to the comprehensive stablization objectives of the Fund.

61. Sweden agreed with Norway but believed that the second account could not be incorporated into the financially viable fund. Sweden is of the opinion that the second account could be relegated to other fora. Sweden thought that "the second window" should be seen in the framework of the Integrated Programme for Commodities and operating within the Common Fund.

Position of Group D

62. Group D countries tried all their best to avoid upsetting the Group of 77 but without offering anything tangible as an alternative to the Group B approach. Their statements on this subject are confined to the explanation of their political policies rather than dealing with the points in question. They blamed economic problems on the colonial past, imperialism, and the activities of the transnational corporations but prescribed no cure for the disease.

63. One gets the impression that, while they condemn the present international economic system, they silently pray that it be perpetuated.

IV. SUMMARY AND GENERAL OBSERVATIONS

64. The Conference ended without an agreement on the concept of the Common Fund or a commitment to establish a Fund. Most members of the Group of 77 and some of the industrialized countries, which wanted to see the Fund established, were disappointed by the results of the Conference.

65. The basic disagreement between the Group of 77 and Group B lay in the interpretation of the concepts on modes of operation, contributions and commodity coverage. Lack of agreement and unity within the major groups also contributed to the stalemate in negotiations for the establishment of the Fund. In Group B, the Nordic countries, supported by Belgium, Ireland and the Netherlands, stood against the obstructionist attitude of some members in their Group. On the other hand, the Group of 77 was not only divided on the concepts; they were crystallized into regional positions.

The African members of the Group of 77, who have no embassies in Geneva, came and reversed the process which had been going on for a long time. Together with the other members of the Group of 77, the African countries i h embassies in Geneva had drawn up a paper and worked out a position when thos from outside Geneva came and reversed some of the stands in the position. In fact, those who came from outside Geneva brought into the Group of 77 the concept of negotiating a fund which must act as a source of finance and the main instrument for the attainment of the objectives of the IPC. This additional idea turned out to be the most popular throughout the Conference, but the Geneva-based members of the Group of 77 disapproved of the fact that it was injected late into the proceedings of the Conference, creating an impression of division and weakness in the Group of 77.

66. The sign of disunity among the Group of 77 nearly created a loophole for Group B to escape the blame of obstructing the Conference. Fortunately, the Group of 77 amended its position, incorporated the new ideas of the African Group and proceeded to argue its case until the Conference ended.

67. Throughout the Conference the Group of 77 was supported by China and some members of Group B.

68. Although Group B took recalcitrant attitude throughout the Conference, it took a step forward and agreed with the principle of having a Common Fund. Subsequently, seven Heads of State and Government of the members of Group B made a statement in London on 8th May, 1977, which confirmed their readiness to accept a Common Fund. This is evident in their statement which declared that: "To secure productive results from negotiations about the stabilization of commodity prices and the creation of a Common Fund for individual buffer stock agreements and to consider problems of the stablisation of export earnings of developing countries".

69. This statement does make out the case for the need to have a Common Fund but it does not come close enough to the concept of the Fund as it is understood by the Group of 77. It remains at the old principle stated by the Wilson Government in Kingston, Jamaica. It is obvious that the Americans clung also to their old idea of facilitating "developing countries"' access to sources of international finance" by supporting "such multilateral lending institutions as the World Bank".

70. Wile there is a different acceptance of the Common Fund by the countries of Group B, there remains divergence of ideas on the interpretations of what the Common Fund ought to be. Group B countries are keen to have the Common Fund that remains under their grip either by operating it with the help of the World Bank or by creating an institution which they will use as a political leverage.

71. On the whole the Conference was a failure. Few delegates expected positive results at the first conference of serious negotiations. The entire concept of NIEO is an anathema to some members of Group B. It is likely to take a great deal of political effort to get them to appreciate the need for the change of the status quo which is called for by NIEO. The resistance of Group B should be understood in terms of their fear of change.

72. The OAU should consider action to catalyse the African countries' concern that they may not benefit significantly from the Fund, if it operates through commodity organisation. African products, such as coffee, will continue to be subjected to wild competition from Latin-American countries.

ACTION REQUIRED

73. The Group of 77 ought to iron out the small differences that exist within the Group and confront the developed countries as a united group. This can only be achieved if the Geneva-based African Group, coordinates its views through the OAU, with those of the OAU Member States which do not have missions in Geneva.

74. Further consultations should be held with individual countries of Groups B and D to ensure that their misconceptions are dispelled and their clear understanding of the purpose of the Fund achieved.

75. The African countries, with other members of the Group of 77, should organise carefully planned and well-planned visits to capitals of the Groups B and D countries.

76. It is imperative that African countries should increase their Missions in Geneva in order to influence day-to-day decisions on all aspects on economic matters. On many occasions one has seen Africans holding conflicting views before entire Conferences. This is caused by the desire by the non-resident African members to reshape decisions which are taken well in advance of the Conference to which the Geneva-based African Group is usually committed. The quality of the African contributions in negotiating debates would improve substantially if there was adequate representation instead of only 14 countries that have Missions in Geneva to-day.

1977-06

Report of the Administrative Secretary-General on the State of Negotiations on a Common Fund Under the Integrated Programme for Commodities Under the Auspices of UNCTAD

Organization of African Unity

African Union