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African Regional Meeting on the Common Fund
Under the Integrated Programme for Commodities

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AFRICAN POSITION ON A COMMON FUND UNDER THE INTEGRATED
PROGRAMME FOR COMMODITIES

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INTRODUCTION

1. In resolution 292 (XIII) concerning the integrated programme for commodities, which it adopted in Kinshasa in February 1977 at its fourth meeting, the Conference of Ministers of the Economic Commission for Africa requested the secretariat of the Commission to continue to extend all the necessary assistance to member States for the technical preparations for the negotiating meetings on the common fund so as to enable them to derive maximum advantage from the application of the Integrated Programme for Commodities.
 2. The United Nations Negotiating Conference on a common fund under the integrated programme for commodities, which was held from 7 March to 2 April 1977, is to meet again from 7 November to 2 December 1977. In the present study, carried out in pursuance of resolution 292 (XIII) mentioned above, an effort has been made to report on the respective positions of the various regional groups with a view to facilitating consideration by African countries of the essential elements which they may wish to take into account in achieving a harmonized joint position within the Group of 77 before the resumption of the Negotiating Conference on the common fund in November.
- ### I. ECONOMIC INTEREST OF THE COMMON FUND FOR AFRICAN COUNTRIES
3. African countries attach great importance to the success of the current negotiations on the common fund and the various commodities within the framework of the integrated programme for commodities. Several of the commodities covered by the integrated programme are of vital interest in the production and trade of a large number of developing African countries.
 4. According to the most recent data available, the region's share in world production of the 18 commodities covered by the integrated programme is 50 per cent or more in the case of three commodities: manganese (81 per cent), cocoa (69 per cent) and hard fibres (50 per cent). For three other products, its share is between 20 and 30 per cent: coffee (29 per cent), phosphates (27 per cent) and copper (19 per cent).
 5. In the field of trade, African exports of the 18 commodities over the past six years from 1970 to 1975, were of an average value of \$US6.5 billion per year, representing 28 per cent of total exports from developing Africa, or 15 per cent of the corresponding value of world exports of these commodities.
 6. African imports of the 18 commodities during the same period totalled \$US1.2 billion on average per year, 2 per cent of world imports or 5 per cent of total African imports.
 7. African countries are major net exporters of the following commodities: coffee, cocoa, vegetable oils and oilseeds, timber and hard fibres (sisal), among products and raw materials of agricultural origin; copper, iron ore and phosphates among ores and metals.

59. As for the possibility that the common fund might, in exceptional circumstances, finance the stocking and/or other necessary measures for a commodity facing difficulties and for which there is no existing commodity organization or arrangement, some African countries insist that this type of financing should be considered to be a normal, rather than an exceptional activity of the common fund.

50. In actual fact, the question of financing transactions in exceptional circumstances is considered to be a direct intervention by the common fund in the market, and this is opposed not only by the countries members of Group B and D but also by some of the countries members of the Group of 77 itself. It should be noted, however, that since the time of the adjournment of the Negotiating Conference, the Working Group of the Group of 77 (the Group of 33) has prepared a new text, in which no reference is made to exceptional circumstances. This new text provides only that the common fund, at the request of developing producing countries, should finance stocks and/or other measures for commodities facing difficulties and for which there is no existing commodity arrangement, subject to the criteria and rules established by the fund for such specific financing (see paragraph 2 (d) of section I of the draft position paper of the Group of 77). This formula met with the general consent of the Group of 33, which felt that it would safeguard the interests of countries which were especially dependent on the exportation of commodities not covered by international commodity arrangements and which did not lend themselves easily to such coverage.

61. The Group of 77 as a whole adopted the amendment proposed by the African countries concerning the need to take special measures to benefit the least developed among the developing countries. The only disagreement concerned the question whether this amendment should be included among the purposes and objectives as proposed by the African countries or in the mode of operations of the Fund in accordance with the preliminary position paper. The new text prepared by the Group of 33 takes the point of view of the African countries into account (see paragraph 3 of section I (objectives and purposes) of the draft position paper of the Group of 77). It must, however, be pointed out that certain delegations in the Group of 33, although they had no difficulty in accepting the sense of the provision in question, expressed reservations as to its position in the text because they felt that it should be included in the section relating to modes of operation.

IV. OUTLOOK AT PRESENT

62. Since the time of the adjournment of the Negotiating Conference on the Common Fund in April, all the regional groups have begun to make intensive preparations with a view to harmonizing their respective positions before the discussions resume in November.

8. For other products, such as tea, natural rubber, bananas, meat or bauxite, some of which are of major interest for a few countries, African countries as a whole play a generally much less important role in world trade and their net exports are relatively low in value. Lastly, the African countries as a whole are net importers of sugar and jute. However, a few of them are major producers and exporters of sugar.

9. Taking all the member countries of UNCTAD, the combined share of exports and imports for Africa represents almost 9 per cent, compared with 11 per cent for Asia and 12 per cent for Latin America. These three regions thus supply 32 per cent of the total trade (exports plus imports) in the 18 commodities covered by the integrated programme, while the shares represented by the other groups of countries amount to about 58 per cent for the developed market economy countries, 8 per cent for the socialist countries of Eastern Europe and 2 per cent for China.

10. In the long term, the relative costs and benefits for the African countries resulting from the establishment of a common fund under the integrated programme for commodities will be partially determined by trends in the data indicated above.

II. POSITIONS OF THE VARIOUS REGIONAL GROUPS

11. In accordance with resolution 93 (IV) concerning the integrated programme for commodities, the international measures for the negotiation of a common fund included the convening, by March 1977 at the latest, of a negotiating conference, preceded by preparatory meetings dealing in particular with:

- (a) elaboration of objectives;
- (b) the financing needs of a common fund and its structure;
- (c) sources of finance;
- (d) mode of operations;
- (e) decision-making and fund management.

12. Three preparatory meetings took place before the negotiating conference; the first from 29 November to 4 December 1976; the second from 24 to 28 January 1977 and the third from 21 February to 1 March 1977.

13. The United Nations Negotiating Conference on a Common Fund under the integrated programme for commodities was held from 7 March to 2 April 1977.

14. Despite the three preparatory meetings and four weeks of negotiations, the Conference had not been able to arrive at any substantive agreement or to adopt any decision on the principle of the establishment of a common fund.

15. During the Negotiating Conference, when the proceedings had become bogged down in purely technical discussions, the Group of 77 had submitted two draft decisions: a first draft concerning the adoption of a decision of principle that a common fund should be set up within the framework of the integrated programme for commodities to serve as the main instrument for attaining the objectives of the integrated programme as embodied in resolution 93 (IV), and function as the central source of finance for

specific objectives and purposes as outlines in the preliminary position paper of the Group of 77; a second draft decision concerning arrangements for reconvening the Conference, which was to be considered at the same time as the first draft decision concerning the establishment of a common fund.

16. These two draft decisions were not accepted by Group B and Group D. However, agreement was reached that the Negotiating Conference should meet again, in November 1977 at the latest, at plenipotentiary level, to complete its work. The Trade and Development Board, during the second part of its sixteenth session, decided that the Negotiating Conference should resume from 7 November to 2 December 1977.

17. The purpose of the present section of the study is to take stock of the respective positions adopted by the various regional groups during the three preparatory meetings and the Negotiating Conference, as regards the five elements making up the common fund under the integrated programme for commodities that the preparatory meetings had the task of examining. The purpose of the exercise is to present a general outline of the problems resulting from the differences of view as between the regional groups which the Negotiating Conference must endeavour to resolve during the forthcoming resumed session.

18. The over-all position of the members of the Group of 77 was set out in the preliminary position paper submitted to the third preparatory meeting^{1/}. The position of Group B is to be found in two documents: the provisional position paper submitted by the members of the group to the Negotiating Conference^{2/} and a working document, to serve as a basis for discussion, submitted to the second preparatory meeting^{3/}.

1/ Elements of an international agreement on the common fund: Preliminary position paper of the Group of 77, reproduced in the report of the third preparatory meeting for the negotiation of a common fund, annex I (TD/B/IPC/CF/3).

2/ Some elements for the basis of a common fund: Provisional position paper submitted by the members of Group B, reproduced in the report of the United Nations Negotiating Conference on a common fund under the integrated programme for commodities, annex II (TD/B/IPC/CONF/3).

3/ Consideration of issues relating to the establishment and operation of a common fund. Documents submitted by Group B to serve as a basis for discussion, reproduced in the report of the second preparatory meeting for the negotiation of a common fund, annex I (TD/B/IPC/CF/5).

A. Objectives and purposes

19. Profound disagreement continues to separate the regional groups concerning the nature of the common fund which should be set up. While the Group of 77 regards this fund as the main instrument and the central source of finance for the realization of the objectives of the integrated programme for commodities, Group B feels that other approaches might be envisaged, the common fund being only one instrument among many others for attaining the objectives of the integrated programme for commodities.

20. Without making any objection in principle to the idea of a common fund, Group D clearly indicated that participation by its members in the deliberations did not prejudice their final attitude concerning the establishment and the form of the fund, nor their participation in the fund to be set up.

21. As regards the identification of the objectives of the common fund, apart from general consensus concerning the financing of buffer stocks within the framework of international commodity arrangements, there are serious differences of view, principally on the following points:

- i) financing of other measures;
- ii) financing outside international arrangements;
- iii) special measures to benefit the least developed among the developing countries.

22. Concerning the financing by the common fund of measures other than commodity stocking, it appears that the disagreement relates less to the principle of this type of financing itself than to the magnitude of the resources to be allocated to the operations without jeopardizing the financial viability of the fund. The Group of 77 believes that the measures other than stocking which the fund should finance might include diversification, productivity improvement, trade promotion and research and development. Group B remains convinced that the financing of the other measures would seriously affect the viability of the fund; it thinks that such measures might be financed by the existing international financing institutions. Group D considers that it is difficult to discuss the financing of the other measures without knowing precisely what they might be. It points out that there might be a conflict of priorities between the viability objective and that concerning the other measures within the framework of the fund.

23. The Negotiating Conference reached no consensus concerning the possibility of financing outside international commodity arrangements. In its preliminary position paper, the Group of 77 considers that the common fund should in exceptional circumstances, and at the request of a number of producing developing countries, finance stocking and/or other necessary measures for a commodity facing difficulties and for which there is no organization or arrangement. On the other hand, Group B declared that it could never accept the direct intervention of a common fund in the market in the absence of arrangements between producing and consuming countries. Group D, too, declared that it could not imagine the various cases in which the fund, in exceptional circumstances, might be requested to finance stocking and/or other necessary measures for a commodity for which no agency or specific agreement existed.

B. Financing needs and structure of the fund

24. The UNCTAD secretariat has assessed the total requirements of the common fund at about \$US6 billion on the assumption that the fund would be the only source of finance for the 18 commodities listed in resolution 93.(IV). In the view of the Group of 77, that assessment offers a useful starting point for more comprehensive discussions. However, Group feels that there is a risk that the maximum financial requirements of the common fund might be much higher than the figure of \$6 billion; Group B therefore challenges the value of the estimates of the UNCTAD secretariat as a basis for negotiation. The Group also considers that it would be impossible to reach conclusions on the financial structure of the common fund until after the financial aspect of its operations had been studied in greater detail.

25. Like Group B, Group D expressed a degree of concern as to the volume of resources required for the common fund in view of the fact that the figure would ultimately depend on the objectives and operations of the fund, on which agreement has not yet been reached.

C. Sources of finance

26. According to the preliminary position paper of the Group of 77, the financial resources of the common fund would be made up of the subscriptions of the member countries to the authorized capital, voluntary contributions, loans and net revenue from its operations.

27. The subscribed capital will be made up of a minimum payment based on the principle of equality and a payment calculated according to the quota allocated to each member country on the basis of the criteria and formulas to be jointly decided upon and agreed,

28. In respect of payment of the subscriptions, the Group of 77 envisages special measures in favour of the least developed among the developing countries. Such measures might include partial or total waiving of the assessed subscriptions or from their payment in convertible currencies.

29. Concerning the forms and arrangements for the payment of the assessed subscriptions, the common fund might take account of the special situation of the developing countries which have major balance-of-payments difficulties.

30. The Group of 77 also anticipates that the fund will be authorized to borrow from member countries and international organizations and on the capital market, within limits and subject to conditions laid down by the fund management. The common fund will give guarantees to its creditors, for example in the form of callable capital or pledges of its assets.

31. It is clear that the question of the sources of finance is a crucial element for any international agreement on a common fund under the integrated programme for commodities. Nevertheless, there have been no comprehensive discussions of the proposals above formulated by the Group of 77. Group B, in particular, limited itself to posing questions concerning the capital structure and loan guarantees. Group B seeks to know the amount of the callable capital required to guarantee the loans. In the view of this Group, it was barely plausible that a common fund could envisage borrowing from other international organizations. Group B also expressed the fear that the provisions in favour of the least developed developing countries, or those experiencing balance-of-payments difficulties, might give rise to abuses.

D. Modes of operation

32. In terms of general provisions, the Group of 77 proposes that the resources and facilities of the common fund will be used to achieve the specific objectives and purposes of the fund.

33. The main function of the common fund will be the financing of buffer stocks of commodities. Another function will be the financing of other necessary measures. It will hold separate accounts for each of these two functions.

34. According to the Group of 77, the common fund will as a general role act as a financing agency and extend loans to commodity organizations. It may, however, finance in exceptional circumstances stocking and/or other necessary measures for a commodity for which there is no specific organisation or arrangement.

35. In granting loans, the Fund will apply criteria compatible with its objectives and principles without attempting to interfere with general policy or operational decisions of commodity organizations.

36. The Group of 77 envisages that the common fund will operate as an institution which is financially viable. The interest rates on loans granted by the fund will be as low as possible taking into account the capacity of the fund to lend at a reasonable rate while at the same time maintaining its financial viability.

37. Out of all these proposals relating to the ways and means of operating the common fund, only two met with a general consensus: the non-interference of the fund in the decisions of commodity organizations and the need for financial viability. However, Group B questioned this viability if the interest rate on loans granted to commodity organizations was set as low as possible and if resources had to be turned to the account of measures other than stocking by drawing on the profits of the common fund as a whole.

38. In any case, Group B pointed out that since there had as yet been no agreement on the objectives and purposes of the common fund, it could not accept the general proposal made by the Group of 77 according to which the resources and facilities of the fund should be used to achieve the objectives and goals specified in the preliminary position paper of the Group of 77. Group D also considered that the mode of operations of the common fund would depend on its objectives, on which there had as yet been no agreement.

E. Decision-making and fund management

39. Only the Group of 77 was able to submit a preliminary plan concerning the manner of taking decisions and managing the fund. The Group of 77 considered, inter alia, that the distribution of votes in the common fund should be such as to give the developing countries a decisive role in the decisions and management of the fund so as to ensure the implementation of resolution 93 (IV), which calls

for concerted efforts to benefit the developing countries with a view to ending the economic imbalance between the developed and the developing countries.

40. As far as Group B was concerned, since the purpose of the common fund would probably be to finance commodity organisations, the traditional manner of dividing votes equally among the producing and the consuming countries in the commodity councils was greatly to be recommended. Group B stated that it was therefore unacceptable for any single group to be given a casting vote. If the members of the Group participated in the common fund, they would insist on there being a close relationship between the contributions and the right to vote.

7. Summary

41. On examination of the positions taken by the various regional groups, it would seem that the following general remarks may be made concerning the work of the three preparatory meetings and the Negotiating Conference on the Common Fund^{1/}.

42. First, no consensus was reached on the nature of the fund. While the Group of 77 considered the fund to be the main tool and the central source of financing for the achievement of the Integrated Programme for commodities, Group B felt that other approaches might be envisaged the common fund being only one means among many for achieving the objectives of the Programme.

43. Where the objectives of the fund were concerned, unanimity was reached only with regard to international arrangements for the financing of commodity stocks, but opinions still differed as to the financing of other measures. Views also differed as to the possibility of the fund's supporting commodities for which no arrangements or organization existed.

44. The Group of 77 felt that the studies and projections prepared by the UNCTAD secretariat could serve as a useful basis for more detailed discussions on the assessment of the financing needs and the structure of the common fund. On the other hand, Group B feared that the financing needs of a common fund might be much higher than the figure quoted in the estimates admitted by the UNCTAD secretariat.

45. Some agreement emerged on the need to consider a whole range of formulas with a view to deciding on what basis contributions to the capital of the fund should be calculated.

46. There was also general agreement on the need to take special measures to meet the needs of the least developed among the developing countries.

47. As for the fund's borrowing operations, it was acknowledged that the question of guarantees was of the utmost importance and that an effort should be made to define more precisely the paid up capital callable capital ratio, as well as other guarantees which the Fund might give to its creditors.

^{1/} Report by the Chairman of the preparatory meetings (TD/IPC/CF/CONF/4).

48. It was widely recognized that there was a close link between the purposes and objectives of the common fund and its mode of operation and that it was therefore, necessary to reach agreement on the aims and objectives before agreeing on the mode of operations. General agreement was, however, reached on a number of points. First, a common fund should be a financially viable institution which should not loose money. Second, a common fund should act as a financing institution, granting loans to the commodity organizations without intervening in their general policy decisions or operational decisions. Finally, it was agreed that the common fund should maintain two separate accounts, one for the financing of commodity stocks and the other for the financing of other measures needed under the Integrated Programme for Commodities.

49. Although decision-making and fund management was not discussed in detail, two main trends seemed to emerge on the manner of distributing voting rights, with the Group of 77 favouring the assignment of a large proportion of votes on the basis of the principle of equality and Group B favouring a close relationship between contributions and voting rights.

50. It should be pointed that China strongly supported the whole set of proposals made by the Group of 77.

51. It is clear from this general outline of the positions held by the various regional groups on the problems relating to the creation and operation of a common fund that there are still a large number of extremely difficult questions which the Negotiating Conference on the Common Fund will have to try to solve when it resumes its work in November.

III. COMPONENTS OF A CO-ORDINATED AFRICAN POSITION WITHIN THE GROUP OF 77

52. Although there is no fundamental difference between the position held by the African countries and that held by the other members of the Group of 77, in attempting to define a common position for the Group as a whole before the Negotiating Conference on the Common Fund resumes its work, account should be taken of a few differences in the views held by members of the Group in the light of the preliminary position paper analysed above.

53. The main reservations of the African countries concern the following three concepts:

- (i) Financing of stocks and/or of other necessary measures "within the framework" of international commodity arrangements;
- (ii) Financing in exceptional circumstances;
- (iii) Special measures to benefit the least developed among the developing countries.

54. The African Group proposed that the clause relating to financing "within the framework" of international commodity arrangements should be replaced by one relating to financing "in co-operation" with international commodity arrangements.

55. In connexion with this proposed amendment, it should be pointed out first that the preparatory meetings held so far on various commodities have had great difficulty proceeding beyond the stage of preliminary consultations and have in most cases confined themselves to requesting additional studies and technical analyses or to deciding to hold other meetings at the expert level. In only one or two cases - those of natural rubber and jute - have these meetings made it possible to form a clear concept of the type of concrete arrangements which should be established. Secondly, the International Sugar Organization, in spite of its long experience with the operation of a commodity agreement, failed to achieve concrete results in the United Nations Sugar Conference held from 18 April to 27 May 1977. Contrary to expectations and following six weeks of intensive work, the Conference ended in failure.

56. Obviously, these results are enough to cause grave concern among the African countries as to the possibility of concluding international arrangements on all the commodities covered by the Integrated Programme for Commodities between now and the end of 1978 as provided for in resolution 93 (IV).

57. However, in seeking a basis for agreement within the Group of 77 concerning whether the common fund should finance its operations "within the framework" of international arrangements or only "in co-operation" with them, the African countries may wish to take account of the following facts:

(a) The clauses relating to financing "within the framework" of international commodity arrangements was contained in the Manila Programme of Action (see Paragraph 5 (a) of section I);

(b) In the preliminary position paper of the Group of 77, one of the specific objectives of the common fund - and this objective was adopted by all the members of the Group with no objection - is to facilitate the setting up of international commodity arrangements and thereby play a supporting role as an instrument for the establishment of the New International Economic Order. (see paragraph 2 (e) of section I).

58. If the common fund were to finance its operations only "in co-operation" with international commodity arrangements, it would probably be necessary to ensure that there was no contradiction between this provision and the preceding one. It should also be borne in mind that the fundamental purpose of the common fund is to support the international commodity agreements in such a way as to ensure the optimal utilization of resources and to economize with respect to separately financed buffer stocks.

63. As indicated above, the Working Group of the Group of 77 (or Group of 33) has prepared a draft position paper of the Group of 77 containing the elements of an international agreement on the common fund. This draft is a revised and fuller version of the preliminary position paper of the Group of 77. The Group of 33 gave special attention to the schedule of payments and to decision-making and fund management.

64. At the final ministerial meeting of the Conference on International Economic Co-operation (North-South Dialogue), the representatives of 8 industrialized and 19 developing countries agreed that there was a need to establish a fund as a new entity to serve as a key instrument in attaining the agreed objectives of the Integrated Programme on Commodities as embodied in UNCTAD resolution 93(IV). The countries participating in the Conference on International Economic Co-operation also pledged themselves to secure a successful conclusion of the United Nations Negotiating Conference on a Common Fund. This agreement was in turn endorsed at the Ministerial Meeting of the Organization for Economic Co-operation and Development (OECD) on 24 June 1977 by all States members of the organization.

65. During the third session of the ad hoc Intergovernmental Committee of the Integrated Programme for Commodities held from 11 to 15 July 1977, the representative of Group B stated that the Group was in the process of finalizing a proposal which would be the subject of further negotiations with the Group of 77 in November.

Final remarks

66. It cannot be denied that if the developed countries wish to fulfil their pledge to secure a successful conclusion of the Negotiating Conference on a Common Fund, they will have to do a great deal more than make political commitments on matters of principle.

67. The members of the Group of 77 should, for their part, strengthen their preparations with a view to conducting fruitful negotiations with Group B and D when the Negotiating Conference resumes in November.

68. In the light of all the elements considered above, the African countries will in all probability make every effort to come to a common position which is in harmony with that held by the other members of the Group of 77.