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*Chairman: Mr. Jorge Pablo FERNANDINI
(Peru).*

AGENDA ITEM 38

United Nations Conference on Trade and Development:
report of the Trade and Development Board (A/6703/
Add.1, chap. I; A/6714, A/6879, A/6904, A/C.2/237)

1. Mr. PREBISCH (Secretary-General of the United Nations Conference on Trade and Development) said that the fifth session of the Trade and Development Board had been very important, because the Board had considered all the matters related to the draft provisional agenda for the second session of the United Nations Conference on Trade and Development (UNCTAD) (see A/6714, annex I) and had succeeded in defining the "points of crystallization"—in other words, the points which Governments members of the Board had considered to be ripe for fruitful negotiation or whose importance for the economic development of the peripheral countries was such that, even though the circumstances were not propitious, all indications were that they should be treated with special attention. One of the advantages of the selection made by the Board was that it provided a starting-point of decisive importance for the formulation of a global strategy for development and international co-operation, an idea which had received vigorous support in the Second Committee and in other bodies. In that connexion, mention should be made of the statement made recently to the Second Committee (1129th meeting) by the Netherlands Minister for Aid for Developing Countries and of the statement made by the President of the International Bank for Reconstruction and Development (IBRD) to the Swedish Association of Bankers reiterating the vital need to formulate such a strategy and recommending, for that purpose, the appointment of a group of independent economists and statesmen to consider the experience acquired on the subject of development over the past twenty years. The Under-Secretary for Economic and Social Affairs had also spoken on several occasions of the need for that strategy, supporting his arguments with the technical judgement of the Committee for Development Planning.

2. Looking back on the so-called development decade, one reached the conclusion that there had been no development policy—no clearly defined series of convergent and non-contradictory measures designed to

tackle the basic problem of speeding up the rate of development of the developing countries. Above all, it must be recognized that the problem of economic development and international co-operation was a common problem which concerned all countries, developed and developing alike, and which should receive the highest priority among the problems which the world had to face.

3. The technology at the disposal of the developing countries did not permit them to content themselves with a rate of investment and development similar to those achieved in the world in the past. It was obviously possible to achieve much higher rates of growth, as could be seen from the experience of the socialist countries, Japan and other countries.

4. The strategy must therefore be based on the following fundamental consideration: in order to accelerate their rate of development, the peripheral countries must have easier access to the markets of the developed countries, both for primary commodities and for industrial products, and they must also have access to technology and the sources of international capital. That was generally recognized; what was not yet recognized unanimously was that the opportunities and facilities to be given to the developing countries through a global strategy must be subject to a clear and vigorous policy of development on the part of the peripheral countries. The sole justification for the massive effort which the developed countries must undertake as regards technical co-operation and capital transfers was that it was accompanied by the effort of the developing countries to acquire modern productive technology; as experience showed, that effort had achieved lasting success only when the developing countries had succeeded in bringing about marked changes in their economic and social structures as the starting-point for development plans which would give shape to that development policy and discipline.

5. The experience of the current United Nations Development Decade showed that the process of industrialization was generally superimposed on an economic and social structure which would sooner or later prove to be unable to sustain it. A stage was reached when the area of cultivation could no longer be extended and modern technology had to be introduced. At that stage, the system of land tenure conspired against technology. At the same time, the increased population, originally a source of optimism, was finding that the economy was not sufficiently dynamic to absorb it and industry could not be superimposed on an anachronistic economic and social structure or developed within traditional patterns of foreign trade. The developing countries had to look outwards and extend their economic spheres. A

development policy therefore had to call for changes in structure, changes in attitudes, development discipline in the peripheral countries and assistance in carrying out those changes and planning the economy in accordance with well-defined economic and social objectives.

6. The Trade and Development Board at its fifth session and the recent ministerial meeting of the group of seventy-seven developing countries in Algiers had indicated what should be the basic elements for a world-wide strategy for development and international co-operation. As far as foreign trade was concerned, stress had been laid on the need to gain wider access to the markets for primary products and an idea had been put forward which had great potential: an attempt should be made to start a new round of negotiations to see how it would be possible to achieve by progressive stages the objective of an absolute expansion of the traditional markets. The method selected, from among various possibilities, had been to try to hold negotiations on the basis of the idea that exports from the peripheral countries should account for a growing share of the increase in consumption in the developed countries. That possibility was already being explored with regard to sugar, as a basic element in a possible market equilibrium.

7. It was a matter of general satisfaction, from another point of view, that the idea of preferences for manufactures and semi-manufactures from the developing countries had made such progress that it could be said that it was now solidly established, which led one to hope that at the second session of UNCTAD to be held in New Delhi it would be possible to reach at least a preliminary agreement on the factors that should guide a preferential policy. Some contended that the reasons for the trend in favour of preferences were mostly political and that it was even to be noted among people who were not convinced that it had any real value. He did not agree, because he believed that the movement in favour of preferences would get to the heart of things if, now that the big countries' tariffs had been reduced to a very low level, the further step was taken of reducing them to zero for manufactures and semi-manufactures from the developing countries, with the necessary safeguards to avoid disturbances in the market. Of course, a vigorous export promotion policy for the developing countries would have to be pursued at the same time, with the requisite international co-operation and with an enlightened attitude in regard to the avoidance of obstacles. In that connexion, he announced that, after talks which he had held with the Director-General of GATT (General Agreement on Tariffs and Trade), agreement had been reached at the secretariat level on merging the efforts of UNCTAD and GATT in the export promotion field and he was submitting a proposal on the subject to the Second Committee (see A/6879, chap. II).

8. Another aspect of international co-operation which had been a subject of great concern, both in the Board and at the meeting at Algiers, was financial co-operation, which, like technical co-operation, must be specifically directed towards clear objectives. Much emphasis had been placed at the two meetings on the importance of technical and financial co-

operation for the application of a policy aimed at expanding trade between the developing countries—whether through regional or sub-regional integration or free-trade agreements or through agreements between countries in different regions. In the light of experience, such co-operation was essential. The type of agreement to be reached was, of course, a matter for decision by the developing countries themselves, but he hoped that they would be bold. There were two fundamental conditions that must be met in order to achieve that goal: first, there must be technical and financial support at the international level and, secondly, the agreements must not be isolated arrangements but part of an over-all development strategy. It was a recognized fact—recognized in theory—that, essentially, after a certain number of years of international financial assistance the recipient country should be able to generate its own investment funds. To that end, the peripheral countries needed additional outside capital so as to enable them, on the one hand, to absorb the increase in the economically active population resulting from the high birth rate and, on the other hand, to absorb the population made redundant by the increased productivity resulting from technical progress. A serious phenomenon which could be observed—and which, in his opinion, had barely begun—was that even in developing countries where the investment rate was apparently satisfactory the average annual growth rate was insufficient to accomplish those objectives. If all the desirable structural changes took place, productivity would rise, but the rise in productivity would require much greater amounts of capital than before. It might seem paradoxical to say that, if productivity increased, additional investment funds would be needed, but, in fact, while the increase in productivity would generate investment funds over a period of years, it could not generate the funds needed to absorb the manpower made redundant by that increase. There would be a considerable increase in income, provided that the unemployed resulting from the increase in productivity were economically absorbed; that was not happening in the developing countries, including those which had an apparently satisfactory rate of industrial progress. Unless there was a massive approach to international financial co-operation, combined with rational domestic policies, it would not be possible to solve the problem of lack of dynamism or to reach the point where resources were self-replenishing. He wished to stress that point because he believed it to be of crucial importance, not only socially—in view of the tensions arising from an economically inactive and wastefully employed population—but also economically, because a very considerable potential source of savings and investments was being overlooked in the developing countries.

9. In the countries which were now developed and in which technical progress had led to the gradual transformation of structures and attitudes as productivity increased—first in the industrial sector and later in agriculture—the increase in the economically active population had gradually been absorbed by the other modern sectors of the economy where incomes were higher. In the developing countries, there was also a movement of surplus manpower, but into the sectors

where incomes were lowest. The current international political situation, balance-of-payments difficulties and the discovery that marginal areas of poverty and distress existed even in the major centres of activity all combined to incline many people to take a somewhat pessimistic view of the chances of formulating a broad policy for international financial co-operation. Nevertheless, an attempt must be made at meetings such as the second session of UNCTAD to establish a series of basic concepts in that connexion in order to persuade the major Powers of the extreme importance of the need for action on a massive scale. If they could not take such vigorous action now, it was essential to be prepared so that, when more favourable circumstances arose, a plan of action would be ready and it would not be necessary to wait for years to decide what must be done.

10. He was increasingly convinced that the idea of economic and social planning was essential as a basis for that strategy. Each country should know where it was going, what rate of development it needed in order to absorb the economically redundant population, how much capital it required for that purpose, what additional external resources it needed, how it had to guide the various sectors of the economy in order to avoid events such as those which were now occurring in the agricultural sphere and to ensure that it did not find itself, in twenty or twenty-five years' time, facing an unmanageable problem of population growth. Some years ago it had been industrialization that aroused enthusiasm, and now the pendulum had swung to agriculture. What was needed was not for the pendulum to swing from one extreme to the other but for each sector to be given its due place in economic development. It should not be forgotten that, to ensure the effective application of technology to agriculture, it was necessary to increase the rate of growth of industry and other modern occupations if one wished to avoid not only the problem of an accumulation of manpower unable to find work but also that of an accumulation of products which the population could not absorb with its low income. That was why one spoke of a global strategy; it was not just because all countries had to participate but also because the various aspects of the economy must be considered.

11. Something similar was happening in population policy. For many, the solution to the development problem was to control births. It was, of course, essential to curb population growth, but it must be done as an integral part of a global policy of economic and social development and co-operation.

12. He thought he had made it clear that while it was true that in the commercial, financial and technical fields a policy of international co-operation on a much larger scale than in the past was needed, the policy of financial and technical co-operation must also be closely linked with development discipline in the peripheral countries, which was essential for the introduction of structural changes in those countries. That interaction was indispensable in all areas, and particularly in the financial field, but it involved delicate problems. An economic development plan was the expression of a development policy and of the actual strategy of a country, and care must be taken to see that the links between technical and financial co-operation,

on the one hand, and the domestic policy of development, on the other hand, did not interfere with what the developing countries rightly regarded as essential elements of self-determination and sovereignty. He believed, however, that there was now enough experience to indicate how far one must go in international action without entering that delicate area. Moreover, from the point of view of international action, it was essential to deal with certain problems. First of all, there was the developing country's uncertainty as to whether or not it would obtain the external resources necessary to complement its own internal efforts during the period covered by the plan. Secondly, even when the basic financial problems had been solved, the external vulnerability of the developing countries was such that even the best plan could be ruined by a sudden fall in exports. That explained the need for supplementary financing, a question whose examination had been initiated at the first session of UNCTAD. At successive meetings of the Intergovernmental Group on Supplementary Financing which had discussed the matter with the co-operation of IBRD, the basic idea had been confirmed, and, as in the case of preferences, he thought that at the second session of UNCTAD it would be possible to reach agreement on fundamental principles.

13. One of the obstacles which might still remain was the apparent conflict between supplementary financing and commodity agreements. He felt that the solution lay in a combination of the two. He took that view, first, because the commodity agreements could not cover all commodities and, secondly, because those agreements, at best, would not mean rigid stabilization but rather a fluctuation within certain limits, which, especially if accompanied by a fall in a country's production, could lead to a serious export loss, which would have to be covered by supplementary financing and even, in the initial stages, by compensatory financing.

14. In conclusion, he wished to refer to the suggestion put forward by the President of IBRD concerning the appointment of a group of experts. A delegation had recently asked him whether the group of experts would not interfere with the second session of UNCTAD. In his opinion, there was no danger of that, first because the Conference could not solve all problems and, secondly, because if, as he hoped, it agreed on fundamental principles for co-operating with other United Nations organs in formulating a comprehensive strategy for development and international co-operation, there would still be formidable obstacles in the way. The main obstacle was precisely the serious indifference shown by certain advanced countries with regard to their responsibilities in regard to the developing world. If the experts were carefully chosen—from men who had gone deeply into those problems and important political personalities in the major countries—and if those men presented, as they would certainly do, a true picture of the developing world and explained the urgent necessity of following a global strategy, they could render an immense service. They could convince the developed countries that the problem of development was not a residual problem but one which should be given the highest priority by the international community and the major countries and could, at the same time, convince the

developing countries that if a comprehensive strategy for development and international co-operation was agreed upon, their responsibility would be much greater than it had been hitherto. If such a strategy was adopted, it would no longer be possible to attribute internal ills to international factors. Internal ills would be due to lack of decision, lack of clear-sightedness, lack of courage to solve the fundamental problems of the economic and social structure, and lack of true development discipline.

15. Mr. SANTA MARIA (Chile) said that the second session of UNCTAD would be the key to the fate of over a thousand million human beings. The greatest efforts would have to be made at that Conference to reach negotiated agreements on the urgent problems facing the developing countries.

16. The first session of UNCTAD had led to the establishment of a group of international organs, which had since studied those problems. The work done had shown that today's world was an unjust world. It need only be mentioned by way of illustration that the annual increase in per capita income was at present only \$2 in the developing countries, whereas it was \$60 in the developed countries, and that the external debt of the former countries was steadily increasing. It had also been found that 83 per cent of the world's wealth was owned by twenty-four developed countries, the remaining 17 per cent being shared by eighty developing countries. In practice, those figures spelt hardships, unemployment, unhealthy living conditions, ignorance and malnutrition. As that situation became evident to the peoples, it produced social upheavals which threatened the stability of Governments.

17. For that reason, any future action must form part of a global development strategy. Chile fully endorsed that new approach, which it considered should be based on the principle of equitable relations in international trade, on the accelerated transfer of technical knowledge to the developing countries and on efforts by those countries to mobilize their resources and modernize their economic and social institutions. Unfortunately, the industrialized countries were at present fixing the prices of their products in the way which best served their own interests, and were not motivated by any sense of equity so far as the price level of the developing countries' products were concerned; it was pointless to attempt to mitigate the effects of that injustice by granting loans which the developing countries then had to repay by increasing a production of steadily diminishing value. Scientific and technical progress held out the hope of a higher standard of living for the developing countries, but such progress was not, unfortunately, within the reach of the world as a whole.

18. The drafting of a development strategy must be based on equitable international trade relations and on the large-scale transfer of technical knowledge to the developing countries. It was, however, obvious that the responsibility for the economic liberation of the developing countries also basically depended on the will of those countries themselves, which must reform their outmoded economic and social institutions.

19. The Chilean Government had subscribed to the Charter of Tegucigalpa and to the Charter of Algiers.

He hoped that the Charter of Algiers (A/C.2/237) would provide a starting-point for a constructive dialogue at the second session of UNCTAD in New Delhi. It would be tragic if that Conference did not culminate in specific agreements. In that connexion, he hoped that the appeal for international solidarity made in the Papal Encyclical Populorum progressio would be heeded.

20. His delegation proposed that the statement made by the Secretary-General of UNCTAD should be issued as an official Committee document.

It was so decided.^{1/}

21. Mr. VASCONCELLOS (Brazil) said that his delegation endorsed the conclusions of the third annual report of the Trade and Development Board of UNCTAD to the General Assembly (A/6714). After referring to the decisions taken at the fifth session of the Board, he said his delegation was gratified by the adequacy of the preparatory work being done for the second session of UNCTAD. It was encouraging that the Board had succeeded in reaching a consensus on a number of substantive issues to be taken up at the second session of UNCTAD. The discussion had been constructive and had made it possible to distinguish the three main objectives of the Conference, the first being a fresh evaluation of the world economic situation and its effect on the implementation of the recommendations of the first session of UNCTAD, the second, negotiations on certain questions that were right for action, and the third, a debate on long-term questions. The Brazilian delegation had repeatedly stressed the need for urgent implementation of the recommendations adopted by UNCTAD at its first session.^{2/} It was therefore glad to see that the Board had endorsed its suggestion.

22. The Charter of Algiers was the outcome of the efforts made by the developing countries to present their basic aims and aspirations in the fields of trade and development. That very important document should enhance the possibility of a fruitful dialogue between developing and developed countries and offered a sound and flexible basis for the negotiations that were to take place in New Delhi. The substance of the Charter of Algiers could not, however, be the subject of discussion in the General Assembly, since any such discussion would be premature and prejudicial to the future negotiations.

23. Brazil was proud to have taken the initiative in the establishment of the International Trade Centre of GATT (General Agreement on Tariffs and Trade). That Centre, which had been in operation since 1964, had produced some very useful though rather limited results (market studies for products of interest to some developing countries, fellowships, trade promotion missions, etc.). The Brazilian delegation to UNCTAD had always maintained that trade promotion was one of the most effective measures for increasing exports of manufactures from the developing countries. At the fourth session of the Board in 1966, it had,

^{1/} The complete text of the statement made by the Secretary-General of UNCTAD has been circulated as document A/C.2/L.970.

^{2/} See Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).

however, opposed the establishment of new trade promotion centres under UNCTAD, as such centres would have duplicated the work of other organizations. On the other hand, it considered that GATT was not in a position to satisfy the needs of all the developing countries. The problems presented by the division of responsibilities on matters of trade promotion between organizations such as UNCTAD, the United Nations Industrial Development Organization, GATT and the regional economic commissions had necessitated new forms of co-operation and the proposed UNCTAD/GATT International Trade Centre was a good example of concerted action in that field.

24. In conclusion, he hoped that similar combined efforts would be made in other marginal areas where the definition of responsibilities among organizations was not always as precise as was desirable.

25. Mr. DELGADO (Senegal) said he thought that further discussion of agenda item 38 should be postponed until the arrival of the ministerial mission of the group of seventy-seven developing countries.

26. Mr. SUAREZ (Philippines) said he shared the view that the debate on UNCTAD's activities should be temporarily adjourned and that, pending its resumption, the Committee should take up agenda item 12.

27. Mr. M'BAYE (Guinea) said he agreed with the representative of the Philippines.

28. In reply to a question put by Mr. BRADLEY (Argentina), Mr. DJOUDI (Algeria) said his delegation regretted the delay in the arrival of the ministerial mission and hoped that it would reach New York before the end of the month. He would inform the Committee of the date of its arrival as soon as possible.

29. After an exchange of views in which Mr. ASANTE (Ghana), Mr. BRADLEY (Argentina), Mr. VASCONCELLOS (Brazil), Mr. CARANICAS (Greece), Mr. FRANZI (Italy), Mr. DELGADO (Senegal), Mr. BLAU (United States of America) and Mr. CVOROVIC (Yugoslavia) took part, the CHAIRMAN proposed that the debate on agenda item 38 should be resumed on Friday, 17 November 1967, and that, in the interval, the Committee should consider agenda item 48.

It was so decided.

30. Mr. SANTA MARIA (Chile) said he wished to make it clear that, at the time he had made his statement, he had not known that the debate would be adjourned.

The meeting rose at 1.15 p.m.

