

UNITED NATIONS

GENERAL
ASSEMBLY



Distr.
GENERAL

A/6023/Add.1
4 November 1965

ORIGINAL: ENGLISH

Twentieth session
Agenda item 37

REPORT OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Annual report of the Trade and Development Board
to the General Assembly

PART TWO

REPORT OF THE BOARD ON ITS SECOND SESSION

(Held at Geneva from 24 August to 15 September 1965 inclusive, and at United Nations Headquarters from 25 to 27 and 29 October 1965)

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CHAPTER I. IMPLEMENTATION OF THE RECOMMENDATIONS OF THE FIRST
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

1. During the discussion under item 3 of the agenda, "Review of the implementation of the recommendations of the Conference", many delegations expressed opinions on how they interpreted this part of the programme of work of the Board. Several delegations informed the Board of steps taken by their respective countries to implement the recommendations of the Conference as well as of recent developments in the fields of trade and development.^{1/}
2. Delegations from developing countries considered that the decisions reached by the first session of the Conference marked a positive step towards the solution of the basic economic problems of the contemporary world and, in particular, the urgent problems of the developing countries. The socialist countries of Eastern Europe also shared this view. So far, however, little had been done to implement these decisions. The progress in the implementation of the recommendations of UNCTAD had been slow, with the result that no improvement had occurred in the economic plight of the developing countries. On the contrary, the terms of trade were moving against the developing countries again after the short-lived improvement of the last two years. The external position of these countries remained as precarious as ever. Regrets were expressed that some countries had in the past year even resorted to further restrictive measures in their foreign trade which had adversely affected the exports of developing countries.
3. Delegations from developed market economy countries referred to the work in progress in other international institutions and action taken by individual Governments to assist the trade and development of developing countries. They referred in particular to the prospects of benefits in the trade field for developing countries which the continuing negotiations in the Kennedy Round presented, to the progress otherwise made in GATT as a consequence of the introduction of new provisions into the General Agreement concerned with the interests of developing countries, to the discussions and negotiations, taking place or planned in relation to particular important commodities and, finally, to the

^{1/} For details, see the summary records of the Board's proceedings (TD/B/SR.27-34, 50).

continuing effort being made to increase the volume of financial and technical aid or to improve the forms in which such aid was given.

4. It was, however, pointed out by some developing countries that consideration of the problems facing developing countries could at best be only a by-product of the efforts being made by the leading trading nations in the Kennedy Round. Many aspects involved in the trade of the developing countries might not receive adequate attention in these negotiations. It might therefore be appropriate to consider whether other negotiations should be arranged.

5. The delegations from the socialist countries of Eastern Europe informed the Board of the expansion of the foreign trade of those countries in general and of their trade with the developing countries in particular. They also stated that in their trade relations their countries adhere strictly to the "Principles governing international trade relations and trade policies conducive to development" adopted by the Conference.

6. It was agreed that item 3 of the agenda was of crucial importance for the future work of the UNCTAD machinery. A way would have to be found along which the developed and the developing countries could co-operate in making UNCTAD and its subsidiary bodies an effective instrument for improving world trade and, in particular, for promoting trade and development of developing countries. In that connexion, some delegations stressed that the results of the Board's efforts would largely depend on the outcome of the detailed and specific work of its subsidiary bodies. There was also general agreement that some satisfactory procedure should be devised for obtaining the material on which a review and assessment of the implementation of the recommendations of the Conference might be based. However, views differed on the content and character of such a review. The discussion enabled clarification of the different points of view, and the desirability of reaching agreement on procedures to be used to review progress made was recognized by the Board.

7. Delegations from developing countries maintained that the Board at its first session decided to review at its second and third sessions the implementation of the recommendations of the Conference and that it even identified the recommendations to which particular attention should be paid. However, because the information supplied during the second session was not sufficiently detailed, they

considered that it would be difficult for the Board to form any worthwhile judgement on the work so far done or to determine the direction of its efforts in the near future.

8. During the debate under item 3 of the agenda which led to the adoption of the resolution indicated in paragraph 14 below, the view of delegations from developed countries with market economies was that it would be entirely appropriate for a general debate to be held on the progress made in achieving the objectives of UNCTAD in the trade and development field, but not a case-by-case examination centred on policy measures applied by individual countries and focused on individual recommendations in the Final Act, whether agreed or disagreed. In the opinion of these delegations, the recommendations of the Conference were understood to be guidelines for general policy, and could not constitute a basis for requests for formalized procedures of evaluation.

9. The delegations from the socialist countries of Eastern Europe again emphasized that the Principles adopted by the United Nations Conference on Trade and Development should be the basis of trade and economic relations among all countries.

10. The delegations from developing countries considered that acceptance of a recommendation ipso facto implied the acceptance of a corresponding commitment to implement the relevant measures. Hence, the Board and its subsidiary bodies had the right to request detailed progress reports in a suitable form from Governments on the implementation of the recommendations that affect them. In the opinion of these delegations, the subsidiary bodies of the Board, being an integral part of the institutional machinery which had been established by unanimous consent, had as much constitutional right and duty as that of the Board to review progress made in the implementation of those recommendations which fell specifically within their terms of reference. Delegations from the developing countries also pointed out that the implementation of the recommendations was, in essence, a question of political readiness to rise to the challenge posed by the economic development of the developing countries.

11. Some delegations from developed market economy countries informed the Board that they would not hesitate to assume their responsibilities as part of the concerted efforts of the members of the Board and that they would continue to seek to formulate their policies with the needs of the developing countries in mind.

They stated that they intended to participate conscientiously in the work of the Board and its subsidiary bodies with the aim of seeking general agreement and finding a basis for further progress. However, the whole question of the implementation of UNCTAD recommendations called for clarification. In the view of these delegations, UNCTAD was concerned with the formulation of objectives and with proposals for attaining these objectives. It was pointed out that there were various ways in which the UNCTAD objectives could be pursued. These included the actions which Governments can and do take autonomously within the field of interest of UNCTAD. It was also possible in certain areas for UNCTAD to initiate processes which could result in international agreement on specific matters as envisaged in General Assembly resolution 1995 (XIX).

12. The delegations from the socialist countries of Eastern Europe considered it desirable, a year after the first Conference, to review the progress made and to consider what new measures were required to ensure that all countries enjoyed the benefits of international trade. In their view, UNCTAD must guard against degenerating into a sterile debating society. The same delegations considered that the main task of the institutional machinery established was to find the most suitable solutions for trade and development problems, particularly those of the developing countries. The recommendations adopted by the first session of the Conference were an integral part of the over-all efforts to normalize international trade. In that connexion, the same delegations pointed out that, in the last analysis, the implementation of recommendations addressed to the socialist countries of Eastern Europe depended on an increase in their exports to both the developing countries and to the developed market economy countries.

13. The Board attempted to reconcile these differing views. There was general agreement that while the recommendations of the Conference did not carry the force and compulsion of law, they were nevertheless meant to lead to action beneficial to world trade and, in particular, to the trade and development of developing countries. It was recognized that it was the duty of the Board to review and assess periodically the progress of implementation of the recommendations and it was agreed that members of the Conference would be requested to make available, to this end, to the Secretary-General all relevant information in a form they will find appropriate for the purpose. In this connexion, it was emphasized that the

implementation of the recommendations was not merely a question of a procedural or legal controversy, but primarily a question of purposive co-operation between the members of the Conference.

14. The Board at its fiftieth plenary meeting on 14/15 September adopted, by consensus, a draft resolution submitted by the Acting President, the operative part of which read as follows:^{2/}

"The Trade and Development Board,

...

"1. Requests the Secretary-General of the Conference to prepare annually a report on international trade and economic development with particular reference to the rates of growth and progress made in economic development of developing countries and their trade and development needs in order to enable the Board to fulfil its task of keeping under review and taking appropriate action within its competence for the implementation of the recommendations and other provisions in the Final Act of the Conference and to ensure the continuity of its work;

"2. Requests States members of the Conference to provide information, of a kind which will assist the Secretary-General of the Conference in preparing such a report and in a form which they will find appropriate of action taken relevant to the functions of the Board and on the basis of the Final Act of the Conference;

"3. Invites the regional economic commissions and the specialized agencies of the United Nations, inter-governmental bodies dealing with matters of trade and development and other appropriate international organizations to co-operate with the Secretary-General of the Conference by providing information relevant to the preparation of the above-mentioned report of the Secretary-General of the Conference;

"4. Requests the Secretary-General of the Conference to transmit copies of his annual report to States members of the Conference well in time before the second of the two annual sessions of the Board;

"5. Decides to consider regularly at its second session in the year the report of the Secretary-General of the Conference as a background document for the review and assessment of implementation of the recommendations of the Conference;

"6. Requests the Secretary-General of the Conference to supply Committees with such information and analysis as the Board may deem necessary for them to assist it in its task of reviewing and assessing implementation of the recommendations of the Conference in accordance with their terms of reference;

^{2/} For full text, see annex A.1 to the present report (resolution 19 (II)).

"7. Requests the Secretary-General of the Conference to prepare a report for each meeting of the Board as to the progress made and concrete measures taken in respect of co-ordinating the activities of UNCTAD with those of other bodies in the field of trade and development as provided for in General Assembly resolution 1995 (XIX)."

15. In adopting this resolution the Board decided to recommend to the Committees on Commodities and on Manufactures to deal, in the light of this resolution, with those paragraphs of their respective work programmes which were left in square brackets.^{3/}

16. It was pointed out by some delegations that the resolution was ambiguous in a number of respects, particularly with regard to the implementation of recommendations. In particular, the resolution did not specify the use that the Board would make of the Secretary-General's report, nor did it provide for the organization of concerted action by all members, which was the only method by which UNCTAD could achieve effective results. It was also recognized by many delegations that the procedures envisaged in paragraph 6 of the resolution mentioned in paragraph 14 above would undergo further clarification at the forthcoming meetings of the Board and the Committees with a view to enabling the Committees to play their due role effectively and expeditiously.

17. The delegations of Belgium, Switzerland, Mexico, India, Canada, Chile and the Netherlands made statements on their position with respect to the above resolution. These are to be found in the summary records of the Board's second session (see TD/B/SR.50).

^{3/} See chapters IV and V of the present report.

CHAPTER II. PRINCIPLES

18. During the discussion under item 8 of the agenda, "Steps to be taken to achieve agreement on principles governing international trade relations and trade policies conducive to development (see annexes A.I.1; A.I.2; and A.I.3 of the Final Act of UNCTAD, 1964)", the Secretary-General of the Conference submitted to the Board a note (TD/B/20) giving, on the basis of the proceedings of the first session of the Conference, a brief account of the legislative history of the General and Special Principles, and of the "Outstanding Differences on General and Special Principles adopted by the Conference".

19. In the course of the discussion under this item, most delegations stressed the fundamental importance of the General and Special Principles adopted by the first session of the Conference, as well as the necessity for achieving the broadest possible measure of agreement at the earliest possible moment on principles governing international trade and trade policies conducive to development. In the course of the discussion under this item as well as under item 1, "Adoption of the agenda", a number of delegations emphasized that the task before the Board was to seek the broadest possible measure of agreement on the implementation of the set of Principles already adopted by the first session of the Conference and that they could not accept a situation in which these Principles would become the subject of a new discussion leading to their revision or to their replacement by a new set of principles. A number of other delegations considered that the task which now faced the Board was to proceed in accordance with recommendation A.I.3 so as to achieve the broadest possible measure of agreement at the earliest possible moment on a set of principles. Some delegations suggested that an advisory body of experts might be established to identify the area of disagreement on the Principles and suggest possible ways of reaching unanimity thereon. Other delegations said that, in their opinion, all efforts should be mobilized to ensure the speediest implementation of the Principles adopted by the Geneva Conference. They considered that the report presented by the secretariat (TD/B/20) would not be a sufficient basis for implementing Conference recommendations A.I.3. In the opinion of those delegations, the Secretary-General should, on the basis of the replies from countries, prepare a report on the positions of the member States on each of the

Principles against which they had voted or on which they had abstained or reserved their positions at the Conference. Those delegations therefore considered that it would not be advisable to set up an expert working group on the Principles. In this connexion, it was stressed that further work of the Board on the Principles and on reaching the broadest possible agreement thereon, as envisaged in the recommendation contained in annex A.I.3 to the Final Act, ought to be carefully prepared for its consideration at the third and subsequent sessions of the Board.

20. Some delegations from developed countries with market economies maintained the view that the task before the Board was not one of adopting any principles acceptable to some countries and not to others, but in reaching as universal an agreement as possible on a balanced and coherent set of principles which would form a kind of international "code of behaviour" in the field of trade. They considered that, at the present juncture, the main task was to decide on certain practical measures concerning the procedure to be followed. They considered that the setting up of a special body for further work on principles might be a promising method if preceded by an appropriate preliminary inquiry carried out by the Secretary-General of the Conference. Certain delegations believed that this "code of behaviour" could lead towards an eventual "charter" of a contractual character on international trade.

21. Other delegations thought that further work on the implementation of the recommendation in annex A.I.3 could not be delegated to a special body but should be carried out by the Board itself. In their view, this is a matter which demands political negotiations at the highest level between member Governments of UNCTAD. However, the Board would be in a better position to take practical action if it were assisted by a committee of experts which would be asked to study the views expressed at the Conference to analyse the reservations which had been made at the Conference, to determine the points on which there was agreement or disagreement and to find means of reaching unanimous agreement on the Principles.

22. The following proposals were submitted to the Board:

(a) Draft resolution on steps to be taken to achieve agreement on a set of principles, submitted by Hungary, Poland and the Union of Soviet Socialist Republics (TD/B/L.48);

(b) Draft resolution on steps to be taken to achieve agreement on principles governing international trade relations and trade policies conducive to development, submitted by a group of developing countries (TD/B/L.54).

23. The Board decided to revert to this item at its third session. It also decided to refer to that session the draft resolutions contained in documents TD/B/L.48 and TD/B/L.54. It was understood that in the meantime the Secretary-General would take such action as he may deem useful for the further consideration of this item by the Board.

24. These draft resolutions read as follows:

STEPS TO BE TAKEN TO ACHIEVE AGREEMENT ON PRINCIPLES GOVERNING
INTERNATIONAL TRADE RELATIONS AND TRADE POLICIES CONDUCTIVE TO
DEVELOPMENT (SEE ANNEXES A.I.1, A.I.2 and A.I.3 OF THE FINAL
ACT OF UNCTAD, 1964)

I

Hungary, Poland and the Union of Soviet Socialist
Republics: joint draft resolution

"The Trade and Development Board,

"Recognizing the necessity for the speediest implementation of the recommendations of the United Nations Conference on Trade and Development, contained in Annex A.I.3 of the Final Act of UNCTAD and in its own resolution 13 (I), on principles governing international trade relations and trade policies conducive to development,

"Calls upon those Governments of countries members of the Conference which entered in the Final Act of UNCTAD reservations in respect of individual principles governing international trade relations and trade policies conducive to development, to inform the Secretary-General of the Conference of their present position on each of the principles against which they voted, or on which they abstained, at the Conference; and

"Requests the Secretary-General of the Conference to draw up a report, based on the replies received from the Governments of countries members of the Conference mentioned above, on the measures which need to be taken to achieve the greatest possible degree of agreement on the principles in question in the shortest possible time, for consideration at the Board's third session."

II

Afghanistan, Ceylon, Chile, Ecuador, El Salvador, Ghana, India,
Iran, Iraq, Lebanon, Madagascar, Mexico, Nigeria, Pakistan,
Philippines, United Republic of Tanzania and Yugoslavia: joint
draft resolution

"The Trade and Development Board,

"Recognizing that the United Nations Conference on Trade and Development adopted Principles governing international trade relations and trade policies conducive to development,

"Recalling annexes A.I.1, A.I.2 and A.I.3 of the Final Act of UNCTAD, 1964,

"Noting the Secretariat document TD/B/20,

"Calls upon those Governments of countries members of the Conference to inform the Secretary-General of the Conference of their present position on each of the Principles against which they voted, or on which they abstained or entered reservations at the Conference;

"Requests the Secretary-General of the Conference to draw up a report, based on the replies received from the Governments of countries members of the Conference mentioned above and on the records of the first UNCTAD, identifying the areas of agreement and disagreement, for consideration at the Board's third session;

"Recommends that in the light of this report, the Board, at its third session, make definite arrangements for the consideration of this matter by Government representatives."

CHAPTER III. TRADE RELATIONS BETWEEN COUNTRIES HAVING
DIFFERENT ECONOMIC AND SOCIAL SYSTEMS

25. The responsibilities of UNCTAD in the field of trade between countries having different economic and social systems were considered by the Board at its second session.

26. The Board in its consideration of the question had before it the following documents:

(a) Note by the Secretary-General of UNCTAD on "Problems arising in trade relations between countries having different economic and social systems" (TD/B/19/Rev.1);

(b) Revised joint draft resolution submitted by Czechoslovakia, Hungary, Poland and the Union of Soviet Socialist Republics (TD/B/L.41/Rev.2).

This draft resolution read as follows:

PROBLEMS ARISING IN TRADE RELATIONS BETWEEN COUNTRIES
HAVING DIFFERENT ECONOMIC AND SOCIAL SYSTEMS

Czechoslovakia, Hungary, Poland and the Union of Soviet
Socialist Republics: revised joint draft resolution

"The Trade and Development Board,

"Bearing in mind that General Assembly resolution 1995 (XIX) as well as the decisions of the United Nations Conference on Trade and Development refer to the need to promote trade, inter alia, between countries having different social and economic systems,

"Considering that trade between countries of the East and the West is an integral part of world trade and that the expansion of this flow of trade would positively affect the normalization and expansion of international trade as a whole,

"Being convinced that the development of unhampered trade between countries of the East and the West will be conducive to the implementation of the decisions of the Conference,

"Recognizing that a solution of the problems of trade between countries having different social and economic systems is also of interest to the developing countries and is in keeping with their efforts to diversify their exports, and that it will, in addition, help to improve their trade relations as a whole,

"Considering that the developing countries may have different social and economic systems and that a solution to this problem might be conducive to the development of trade relations between them,

"Recognizing that there shall be no discrimination on the basis of differences in socio-economic systems,

"Recognizing further that international trade should be conducted to mutual advantage on the basis of the most-favoured-nation treatment and that the granting of concessions to developing countries on a non-discriminatory basis and without requiring any concessions from these countries in return shall not be regarded as a departure from the principle of the most-favoured-nation treatment,

"Taking into account that developed countries participating in regional economic groupings should do their utmost to ensure that their economic integration does not cause injury to, or otherwise adversely affect, the expansion of their imports from third countries, and, in particular, from the developing countries, either individually or collectively,

"Recognizing further that the immediate removal of existing discriminatory and artificial barriers and limitations in trade between countries having different social and economic systems will have a favourable impact on the expansion of international trade as a whole and the trade of the developing countries in particular,

"1. Appeals to Governments to take measures for the earliest possible removal of all forms of discrimination and artificial obstacles in trade between countries having different social and economic systems, including developing countries with different social and economic systems;

"2. Requests the Secretary-General of UNCTAD to submit periodically, to the Conference or to the Board, reports on problems of trade between countries having different social and economic systems;

"3. Further requests the Secretary-General of UNCTAD to submit the first such report not later than to the fourth session of the Board;

"4. Recommends to the Secretary-General of UNCTAD that such reports cover the most urgent problems of trade between countries of the East and the West as well as the role of this flow of trade for the expansion of international trade as a whole, due account being taken of the results of the activities of United Nations organs and other inter-governmental organizations and agreements dealing with questions of international economic relations;

"5. Invites the regional economic commissions to give systematic consideration to the development of trade between countries having different social and economic systems in the light of General Assembly resolution 1995 (XIX) and to intensify their efforts in seeking solutions to problems arising therefrom."

27. Numerous delegations presented their views on the nature and scope of the problem, its relevance to the objectives of UNCTAD and suggestions for appropriate ways of dealing with it.

28. The discussion touched on the relation between world trade generally and trade between countries with different systems and on the issue of the kind and amount of work the Trade and Development Board should undertake in this special field. Many delegations said that it was important that UNCTAD should cover the totality of the world's trade problems and help to achieve a workable system of trade relations, necessary to fulfil UNCTAD's objectives; they recognize the relevance and significance of trade between countries having different economic and social systems, as an integral part of world trade, for the implementation of the recommendations and conclusions of the Conference.

29. The socialist countries of Eastern Europe spoke in favour of the normalization of trade between East and West. The developing countries in particular, indicated their interest in continuing efforts to diversify their trade by exploring all possibilities of increasing their exports to socialist countries; they also expressed their concern that there should be a progressive solution of East-West trade problems, which directly affect the trade of the developing countries.

30. A variety of views was expressed as to the nature and scope of the issue and its relative importance for the work of the Board. The delegations from the socialist countries of Eastern Europe emphasized that the problem under discussion was in essence a problem of trade between the socialist countries and the developed countries with market economies. In the opinion of those delegations, the problem would not have arisen if the Western countries had not practised discrimination in trade with these countries. General Principles Two, Eight and Nine adopted by the Conference dealt directly with the problem under discussion and offered a basis for its solution. Recognizing the significance of the problem of trade between East and West, the Conference, by virtue of recommendation A.VI.7, had transmitted the draft recommendation on the question of trade among countries having different economic and social systems, which had been submitted by Czechoslovakia, to the United Nations trade machinery for its consideration. In the light of General Assembly resolution 1995 (XIX), the delegations from the